

Cartoon Feature—Pitfalls of Consumer Credit (page 44)

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

DECEMBER 1948



Christmas Carols in the Bank Lobby

The plan produces in California



"In our opinion, the Bank and Agent Auto Plan provides a long-needed banner under which insurance producers and banks may rally for more effective cooperation.

"Since the Plan's inception, our direct automobile loan business volume has increased considerably. Of approximately 17,000 direct auto loans made in the first six months of this year a very encouraging number have been directed to us by the more than 1,000 actively cooperating agents.

"To cooperate with our insurance friends to the utmost, we have explained our program to them individually and in group meetings and have furnished, free, over 1,300,000 pieces of advertising material. These include plotters, postcards, stickers, introduction cards, form kits, and our popular auto purchase card mailing piece containing an advance credit application.

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BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION



In observance of an important December date, BANKING's cover shows a quartet of Christmas carolers in the lobby of the Land Title Bank and Trust Company, Philadelphia—a holiday custom more and more widely observed among banks

Editor WILLIAM R. KUHNS

Associate Editors

WILLIAM P. BOGIE JOHN L. COOLEY

Assistant to the Editor MARY B. LEACH

News Editor THEODORE FISCHER

Editorial Assistant DOROTHY OVERZAT

Business Manager JOHN J. ROONEY

Eastern Advertising

Manager PRENTISS JACKSON, JR.

Representative ROBERT J. STIEHL

Western Advertising (Chicago)

Representative JOHN J. McCANN

Los Angeles Representative STANLEY IKERD

Circulation Manager ROBERT M. ROHRBACH

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Just a minute

Christmas

BANKING's cover, we feel, is so competent a Holiday messenger that any editorial comment would be like carrying evergreens to the north woods. However, the urge to say "Merry Christmas" is irresistible—and there it is!

Banker Beats Farmer For Governorship

ONE of the many things that happened in these United States on November 2, 1948, was a country banker's victory over a farmer for the governorship of Indiana.

Democrat HENRY F. SCHRICKER, vice-president of the Fletcher Trust Company, Indianapolis, ran 'way ahead of his ticket (Dewey carried the state) to beat Republican HOBART CREIGHTON.

Governor SCHRICKER's term in the Hoosier gubernatorial chair will be his second. When he completed the first in 1944 he joined the Fletcher's staff, and President EVANS WOOLLEN, JR., put him in charge of country bank business. Early this Summer Mr. WOOLLEN, who is now chairman of the bank and president of the American Bankers Association, gave Mr. SCHRICKER a leave of absence to run for the governorship again.

Candidate CREIGHTON, prominent in Indiana agriculture, operates a large farm at Warsaw.

"Oh, but think now—what is 48 plus 1?"



December 1948



"But madam, it isn't necessary to submit a list of the presents you intend to give in order to withdraw your Christmas savings."

Government Bond Sales

BOTH MARRINER S. ECCLES and M. S. SZYMCZAK of the Federal Reserve Board commented recently on the question of government bond sales by insurance companies and other non-bank investors.

"There needs to be greater recognition by our large non-bank institutional investors," Mr. ECCLES told the Iowa Bankers Association, "that commercial banks are not the only institutions that are expected to act in the public interest to maintain monetary stability. Insurance companies and other holders of the savings of the people have that responsibility as well. If they are unwilling to recognize and to meet their public responsibilities, then it would be necessary to include them as well as banks in a legislative program of adequate monetary and credit control."

Mr. SZYMCZAK, in a talk to the Buffalo Chamber of Commerce, said: "Means to prevent the creation of reserves through the sale of bonds by institutions and other holders outside the banking system should also be explored and adopted."

Definite Shortcomings"

FOR the foreseeable future" the Federal Reserve System will continue to support the government bond market, Chairman THOMAS B. McCABE of the Federal Reserve Board said at the annual stockholders' meeting of the Boston Reserve Bank.

As for reserve requirements, he realized that "this instrument of monetary management has definite shortcomings," being "neither as flexible nor



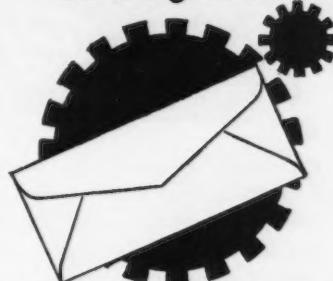
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as selective as we would like." It is "unfair under present conditions because it restricts the commercial banking system while leaving unfettered other segments of the credit system which have access to the Federal Reserve System through sales of government securities." Since last June Reserve purchases of the bonds offered by non-bank investors, Mr. McCABE said, "have been far in excess of the recent increase in reserve requirements. In other words, this action has not reduced either the earning assets or the lending power of the member banks as a whole below what they were as late as midyear."

The chairman saw no threat to the dual banking system in the request that reserve requirements apply equally to member and non-member banks. "Some degree of uniformity of application is essential to the strength and soundness of banking in this country."

Digesting a Meeting

THE article by EDWARD A. WAYNE, vice-president of the Richmond Federal Reserve Bank, on page 50, had its origin at the 1948 convention of the American Bankers Association.

BANKING mentioned to ED, in the course of a conversation at Detroit, that it was rather difficult to absorb the information so lavishly offered in the many papers read at a big meeting.

"Oh, we've got that licked," ED replied, rather casually.

He went on to say that after a convention he gets copies of all the addresses, parcels them out to the 40 or so department heads of the bank, and asks

(CONTINUED ON PAGE 6)

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There are stars in the sky as well as thunder and lightning

There is goodwill in the hearts of men at Christmas. There's a warm welcome for the neighbor—a deep desire for friendship between nations—a determination to achieve lasting peace. »» Clouds scud along the horizon, sometimes building up to frightening thunderheads. Angry voices thunder without reason—and threats, like lightning, break and crash over the people's heads. »» Yet the eternal stars are there—stars of Hope, of Faith, of Love—now dimmed or hidden by the clouds—now breaking through with a clarity and brilliance and strength that will not be denied. »» May these stars be seen and followed by the wise men of all nations. May they light the path to peace. That is the Christmas prayer of the people.

CHRISTMAS 1948 BANKERS TRUST COMPANY, NEW YORK





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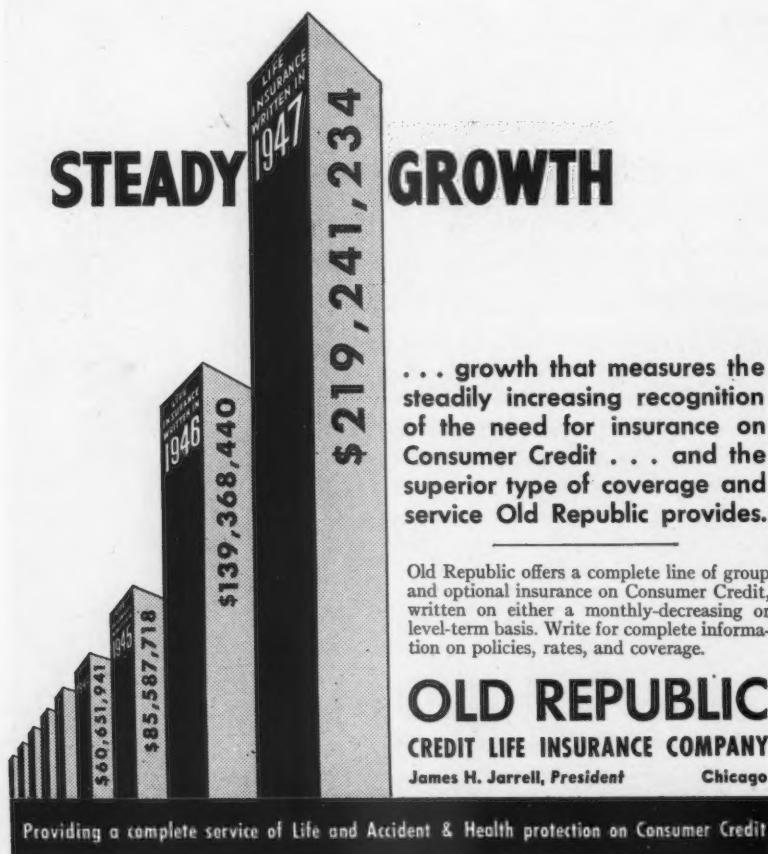
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JUST A MINUTE — Continued

each man to make a digest of the paper assigned him. Then, at a staff session, the digests are read and everybody gets the meat of every speech.

BANKING thought that was a good method and asked Ed to pass it along. He does so in "How to Digest a Meeting."

Lend-Lease for Western Europe

WINTHROP W. ALDRICH, chairman of The Chase National Bank, advocates that the United States take steps to participate in the defense provisions of the Brussels pact and that this country make lend-lease agreements with the five western European signatory powers. "In providing this aid," he told the Pilgrims, a society dedicated to the perpetuation of Anglo-American friendship, "the necessary legislation should show beyond question that our intention is exclusively for the purpose of helping people who share with us devotion to peace with freedom, to protect themselves against threats to their liberties from any quarter whatsoever."

Recession in 1949?

A POLL of 112 leading economists by F. W. Dodge Corporation shows that 64 look for a business recession next year. Fifty-one think the setback will be mild, 10 say moderately serious, while only three expect it to be serious or prolonged. Forty-seven expect no recession in 1949. More than 70 percent of those anticipating a decline look for it to start before midyear. Some think it has already begun. The corporation's opinion survey covered wholesale prices,

(CONTINUED ON PAGE 11)

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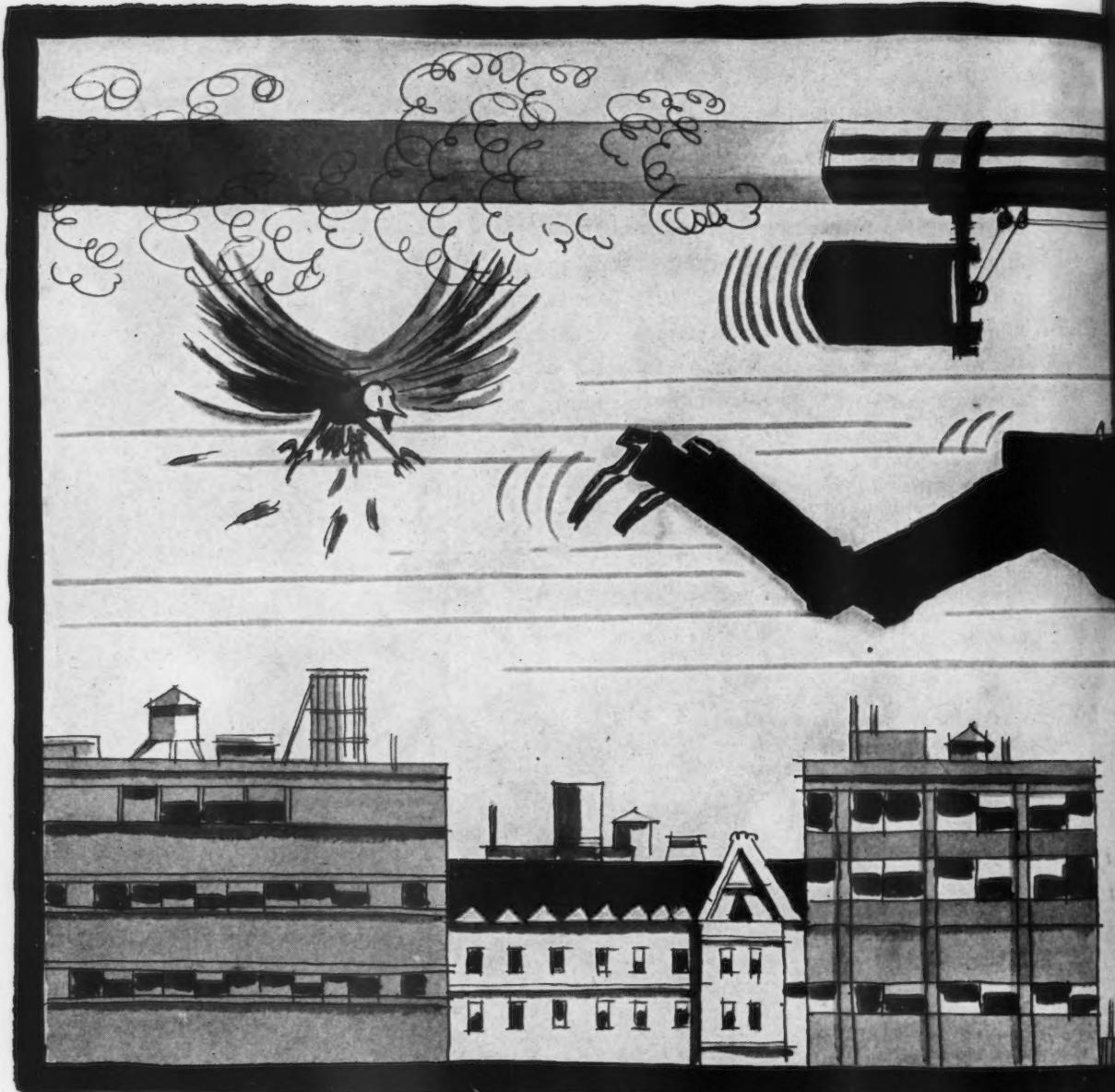


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(THE TOOTER, THE SWEETER) by Mr. Friendly



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*Accident prevention based on principles of industrial engineering.

December 1948

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"I've come to collect the grocery bill, Mrs. Young"

industrial production, employment and construction.

The Venture Capital Drought

OUR tax laws must be revised to encourage the investor and break the drought in venture capital, says LEWIS H. BROWN, chairman of Johns-Manville. He "heartily concurs" with recommendations by JOHN W. HANES, former Under Secretary of the Treasury, that double taxation of dividends be eliminated and that corporations be permitted to set their own depreciation rates up to a maximum of 20 percent.

Mr. BROWN believes "immediate steps must be taken to check the draining of our productive capacity and to make it more attractive for the people to supply new capital to industry for expansion."

Consumer Credit Pitfalls

REMEMBER the cartoon story, "Pitfalls for Small Business," in BANKING's April 1948 issue? It attracted wide attention for its amusing but forceful presentation of some facts of life that confront a commercial enterprise, particularly in its early stages.

This month we adopt the same technique to emphasize some of the angles to consumer lending. LOUIS J. ASTERITA, secretary of the A.B.A. Consumer Credit Committee, compiled the pointers for Cartoonist DICK ERICSON to translate into drawings.

"Pitfalls of Consumer Instalment Credit" is on pages 44 and 45.

The Inflation

IT'S "about over," says Professor JOSEPH L. SNIDER of the Harvard Busi-

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The Rural Community Revolves Around You and the Implement Dealer

It's fundamental that the rural community depends upon the farm, both directly and indirectly. When the farmer prospers, the town prospers, the whole community prospers.

One of the great factors contributing toward farm prosperity is farm machinery, sold by the local implement dealer.

Without modern farm tools—tractors, combines, forage harvesters, corn pickers, and other power tools, the farmer could not begin to meet the production goals for food and fibre that modern living demands.

More emphatically, if it was still necessary to plow with horses, to do by hand what is now handled mechanically, the shortage of labor would be even more acute.

Meeting this need for modern farm machinery, helping farmers to cut labor costs, to produce more, to make the farm a better place to live, in fact, underwriting the entire agricultural and industrial economy is the implement dealer.

You as a banker, have a big part in his success, and in the success of your community. The implement dealer looks to you for the financial help he needs.

Time was when the implement manufacturer supplied much necessary financing. Today, the modern implement dealer and you, his banker, recognize that local financing is best done on a local basis.

Your Massey-Harris dealer is a good man to know. Get acquainted with him as a source of direct business; for the leads he can give you for farmer business; as a business man, working to make a little money for himself, and in doing so, helping to build a sounder, more prosperous, more permanent agriculture.

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ness School—and he gave the National Retail Dry Goods Association three basic reasons for his conclusion: "Price declines have already begun in important areas. Demand is not so insistent as it was, and plant and equipment expenditures seem to be flattening out. The money and credit supply is likely to exert less inflationary pressure, particularly in the light of control measures."

ALLAN B. KLINE, president of the National Farm Bureau Federation, foresees a drop of about 10 percent in farm prices next year. "Tremendous production of the country's farms," he told the National Association of Food Chains, "will continue to have its influence on lower prices, despite higher operating costs of business. I am of the opinion that food prices have passed their peak."

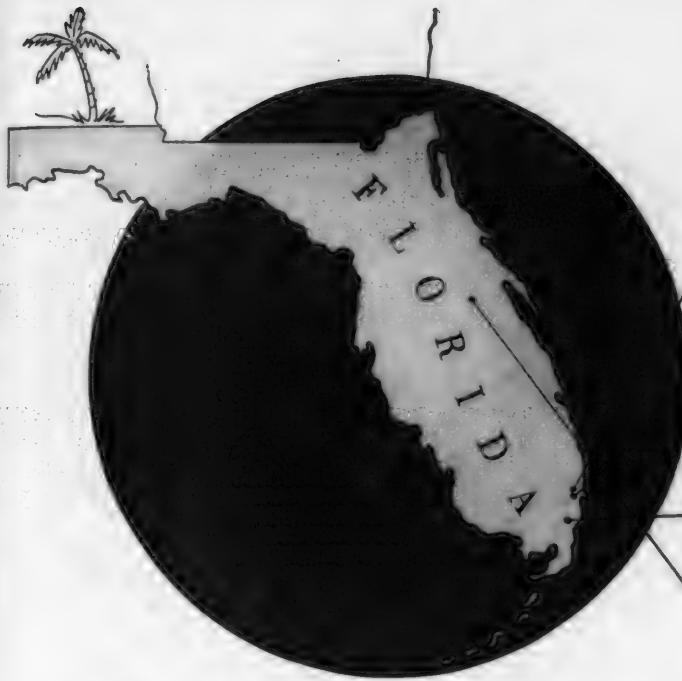
HENRY FORD II expects the general level of business activity to hold up for "at least two years. With increasing military demands and the demands for the foreign aid program," he said in a Louisville interview, "I don't think business has anything to worry about." But it will be at least a year and a half or two years before you can get immediate delivery on a new car, the automobile manufacturer asserted.

Bank Lending Rates

HIGHER loan rates are necessary to offset lower bank earning assets result-
(CONTINUED ON PAGE 14)

"Well, then, why are securities called securities if you must secure a safekeeping box to keep them secure?"





the story— of modern banking quarters in Florida!

Florida is fast becoming famous for the modern architecture and arrangement of its banks. Many fine examples of the latest trends in bank designing can be seen in key cities throughout this state. Our organization has appropriately named this its "show-window" state . . . because we've created the majority of these outstanding new banking quarters! Among them are financial buildings of all sizes . . . many are completely new structures. We've listed a number of our Florida projects on this page . . . others are on our drawing boards right now. Bankers in Florida . . . and in states all over the nation . . . have seen the advantage of engaging the services of our highly specialized organization. If you are contemplating new quarters, write today, get the facts for your bank. There is no obligation.



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- Miami Beach—*Mercantile National Bank*
- Ft. Lauderdale—*Ft. Lauderdale National Bank*
- Tampa—*First Savings & Trust Co.*
- Coral Gables—*Coral Gables Federal Savings & Loan Ass'n*
- Tallahassee—*The Lewis State Bank*



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ing from decreased deposits and increased reserve requirements, MORRIS A. SCHAPIRO, bank stock analyst, said in a talk to Boston Chapter, American Institute of Banking. He said that the average loan yield for New York City banks was estimated at 2.30 percent this year against 2.10 percent in 1947; but an average of 2.80 percent is required to provide a proper income for the banks' \$7,900,000,000 loan portfolio.

Christmas Nest Eggs

THE National Association of Mutual Savings Banks reports that 2,131,530 Christmas Club account owners in those banks are getting \$166,758,636 as the fruit of their thrift this year. The total is \$17 million more than was saved in 1947, and the average distribution, \$78.25, compares with \$74.54 a year ago.

"So Many, So Little, So Much"

PARAPHRASING Winston Churchill's famous tribute to the RAF, DEAN G. ROWLAND COLLINS of the New York University Graduate School of Business Administration said that if the former British Prime Minister were to visit Washington and see Bureaucracy at work today his observation would be: "Never have so many done so little for so much." DEAN COLLINS was speaking to the annual convention of the commercial finance industry in New York City.

He Trusted the Banks, But . . .

THE man had come before a New York City magistrate for taking a poke at a neighbor in a dispute that involved \$6,410. When he explained that he had kept the money at his home, the court queried:

"Don't you trust the banks?"

"Well, your honor," explained the defendant, "if I put it in a bank I could never get home relief."

"You mean to say you're on home relief!" exclaimed the judge. "How long has this been going on?"

"The last 13 years," said the prisoner, adding, reported the *Herald Tribune*, that he had saved a good part of his earnings as a bootblack and porter.

He was found guilty of disorderly conduct and remanded for sentence. The court also directed that the city Welfare Department hear about the case.

J. L. C.

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One of our chief functions is to be a good right arm to out-of-town bankers with business to be done in this highly productive area. For these correspondents, we at Central-Penn are always ready to see business through to its successful conclusion.

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SHE was tall and gaunt; her face was wrinkled and browned by the sun, and as she sat down at the lending officer's desk she nervously clasped and unclasped her work-worn hands. She said that she lived in a remote rural district and that her husband had died a few days before. She needed a loan for the "funeralizing." She just wanted \$5 and she would give the bank the deed to her home until it was paid back. The officer questioned her regarding the small amount—it seemed rather meager to be of much help with funeral expenses. She explained that seven members of the family had agreed to pay \$5 each, and the loan would cover her share. "And I need it right quick," she said, "we done kept him too long already."

The officer loaned her the \$5 personally, mentally crediting the amount to charity. Four or five days later she was back again. "Those ornery brothers and sisters ain't raised their share for the buryin' expenses," she said, "and I still got \$17 to get before I can get that man completely funeralized."

Later, with her tall, eager son, who had just returned from post-war service overseas with the Army, she came in and asked for a loan of \$500 as a down payment on a used car for the boy, total cost, \$1,500. She had no money at all of her own, and neither did the son. The loan was declined. The mother smiled happily as she arose from her chair.



"I never did want to borrow that money," she said, "and I appreciate it because you didn't let me have it. I think instead of Bob's asking me to sign a note for him he ought to go back with the Army and try to save some money

from his pay and buy his own car. And it wouldn't hurt him, either, to send me some money along once in a while, too, so's I could put a new roof on my house —'cause the good Lord knows it leaks like a sieve. I sure do thank you for not letting me have that money—I just came in and asked for it 'cause I hated to refuse him anything when he'd been away so long among them heathen Japs. I was against the whole thing all the time."

Perhaps one of the most unusual applications for a loan we have ever received was that of the man who quite



unashamedly told us that he needed \$20 right away because he had abstracted and used for himself \$20 from funds belonging to the church of which he was treasurer. "The deacons are a-going to meet tonight at seven o'clock," he said, "and if I don't have that money to turn over to them they are sure going to raise Cain with me."

BELLE S. HAMILTON



We wonder how comforting it is to the fellow in the ambulance to know that he had the right of way.

With 37½ million cars on our streets, every driver is entitled to hit only three pedestrians.

Sometimes the main difference between a live wire and a dead one is his connections.

When an employee does nothing, he does somebody.

BANKING



Van Alstyne's Headquarters for a Cause

ON the New York to Buffalo highway in the town of Canajoharie stands a handsome low-lying stone structure—famous throughout Mohawk Valley as the Van Alstyne House. Now the Fort Rensselaer Club, place of social functions, it was once the chief meeting place of a hardy band of pre-Revolutionary patriots.

When Marte Janse Van Alstyne built his house in 1749, he was constructing not only a home but a vantage point from which he could closely supervise and protect his nearby mill. So successful were he and his partner in this and other enterprises that Canajoharie soon gained wide reputation as a lively and important trade center.



Furnished with early Americana gathered from the neighborhood

With the approach of the Revolutionary War, Canajoharie became the Valley's knot of resistance in the pending fight for freedom. As early as 1774, in defiance of Tory overbearance, a group of local patriots organized the Tryon County Committee of Safety, choosing as their meeting place the home of a sympathetic Van Alstyne. Shortly after, this same body of men fired the first shots of the war west of the Hudson River.

Never palisaded but always a strong point of defense, Van Alstyne House served as legislative, judiciary and military headquarters for the committee through 1775. The plans and decisions made here during this time did much to bring about the final

independence of that sparsely settled country. Almost two years before the Declaration of Independence, these patriots of Tryon County had bound themselves to follow the regulations set forth by the First Continental Congress.

Thereafter, the fame of Van Alstyne House was such that many distinguished men and women went out of their way to pay it a visit. General Washington himself, and his staff, dined and lodged here in 1783. A later guest, Tom Moore the Irish poet, inspired by this attractive site,

was said to have here begun his famous poem with the following opening lines:

"From rise of morn to set of sun
I've seen the mighty Mohawk run"

Today the Van Alstyne House—its architecture and masonry faithfully preserved by the Fort Rensselaer Club—retains its original style and dignity. Furnished in true Colonial style, it houses also many valuable Mohawk Valley documents, relics and historic works of art. It remains a fitting memorial to the enterprising forefathers whose resourceful efforts were a great contributing factor in winning the American cause for independence.

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A view of Van Alstyne's before preservation was undertaken

Canada's Part in Atlantic Security

CANADIAN interest in the presidential election was almost as great as American, and the results were practically as surprising in the Dominion as in the States. The campaigns of both Governor Dewey and President Truman were "big news" in Canadian publications; so were the forecasts of an overwhelming victory for Mr. Dewey. No previous Canadian economic policies were, however, based upon defeat of President Truman and there was, therefore, little post-election business reaction.

Election Effect on Canada

A few days afterwards, however, Canadians began to consider how the election results might affect them. Each of the three major political parties professed to find something of value in these results. The Liberals said President Truman's re-election was something of an endorsement of their policies for social welfare. Progressive-Conservatives thought they found clues as to how to influence people and win elections. The C.C.F. (Socialist) party was quite loud in proclaiming the President and his winning campaign on a platform not unlike its own, which includes the restoration of price controls and excess profits taxes, as well as support for certain labor elements.

However, it might be said that most Canadians regard a Democratic Administration as more friendly disposed towards them than a Republican. This belief springs from experience with tariff-making on both sides; of course the traditionally Democratic liberal trade policies appeal to a country like Canada, which has to find export markets outside its own borders for nearly one-third of its over-all production.

Moreover, Canadian government officials also know from experience that the time lag between the exit of one party Administration in Washington and the entry of another means several months' delay in reaching agreements on matters of importance to both countries. Accordingly, Canadian authorities concerned with negotiations on defense projects now feel that they can proceed from their end with better prospects of reasonably quick implementation than if they had to wait for a new President to be installed in Washington and for a reorganized Cabinet and top civil service to get into action.

Thus Canada expects early consideration and definite realization of the Atlantic Defense Pact, which has been pending for some time past and for which her political leaders have voiced strong and unqualified support. Such support involves obligations.

Preparations Under Way

This proposed pact has already led to some rather large-scale preparations on Canada's part. Voluntary recruitment for the army, navy and air forces has been stimulated by government and military authorities, with some success in enlarging the comparatively small, but compact and well trained, permanent forces and the reserves, which correspond to the National Guard in the United States. All told, these two forces number about 125,000.

The greatest emphasis on the Canadian program, however, has been placed on industrial preparedness, and a good deal of preparatory work has already been done in this direction. While most of the government armament plants built during the last war at a cost of over \$700 million were dismantled, sold

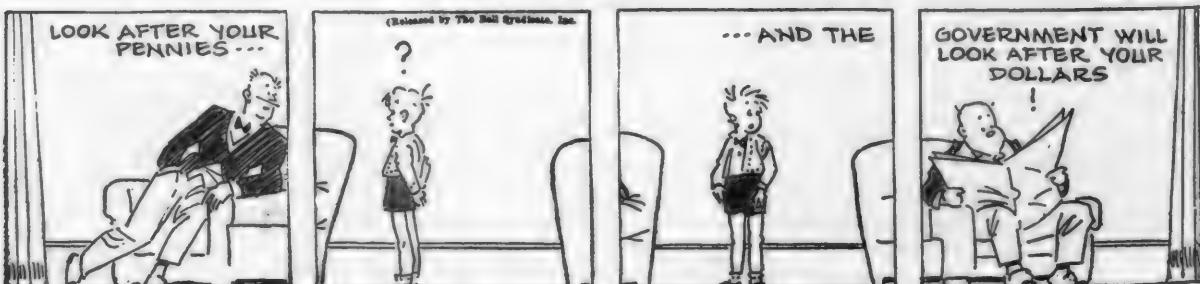
or leased to private interests, a few (representing about 10 percent of the total capacity) have been kept in operation under the direction of a Defense Board, and under the management of Canadian Arsenals Limited, both Dominion Government organizations. A Defense Research Board is quite active in the special development of facilities and new ideas of a scientific nature, both within its own circle and throughout civilian industries, the major purpose being to co-ordinate all these for general consideration and, if necessary, wholesale application. An Ordnance Association, made up of both official and private interests, was formed some time ago for consultation on industrial plants to be used in the event of war, for the production of required equipment and for the relative operating schedules. An Industrial Defense Board, with representatives from all these organizations and from private industry, was also set up to advise on industrial war potentials of the country; the preparation and maintenance of plants for industrial production in the event of war; the encouragement of standardized specifications of industrial production; the location of any new industries which may be required; and the development, procurement, stock piling, inspection, storage and distribution of defense equipment.

1948 Unlike 1939

Structurally, Canada is in a quite different position than when she entered the Hitler war in 1939. She has an industrial capacity about 60 percent more than in the last prewar year but practically all of it has been turned to civilian production in the last few years. It is,

(CONTINUED ON PAGE 20)

Pop — Ah, Yes!





**Is this what they're
saying in your cloakroom?**

"I want a new typewriter!"



"We want new Royals!"



Why the preference for Royal is better than 2 to 1!

SURVEYS SHOW that girls who type prefer Royals 2½ to 1 over any other make of standard office typewriter.

Even more—the preference for Royal equals the preference for the next three most popular standard office typewriters combined!

Why this overwhelming preference for one typewriter?

Because Royals have time-saving, work-saving

features not found on any other typewriter.

And because Royals are durable and sturdy. You'll find they spend more time on the job. So give the girls in your office the typewriter they prefer using.

They'll do more work, better work. With Royal, you'll get the maximum return for your typewriter investment!



ROYAL

World's No. 1 Typewriter

Made by the world's largest manufacturer of typewriters

(CONTINUED FROM PAGE 18)

INVENTORY

INVENTORIES
ARE UP...

Look to
ST. LOUIS TERMINAL
WAREHOUSE RECEIPTS
for Your Loan Security

By use of our FIELD WAREHOUSE RECEIPTS on your customer's Inventory remaining in its present location, you are provided with sound loan collateral and a flexible economical service for your customer.



Write or Wire
OUR NEAREST OFFICE
FOR PROMPT HANDLING
OF YOUR INQUIRY

ST. LOUIS TERMINAL WAREHOUSE CO.

QUARTER OF A CENTURY OF WAREHOUSING SERVICE

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826 Clark

DALLAS 1, TEXAS
Construction Bldg.

CHICAGO 3, ILL.
First Natl. Bank Bldg.

KANSAS CITY 6, MO.
Waldheim Bldg.

CINCINNATI 2, OHIO
Carew Tower

MEMPHIS 3, TENN.
Sterick Bldg.

therefore, clearly realized that large defense needs could only be met by diverting manpower and materials from civilian purposes. If, and when, plans for such diversion should be necessary it is probable that Canada could make available war equipment of a value of at least \$4 billion per year.

Perhaps the most limiting factor in the full consummation of this program on a short-term basis is another acute steel shortage, applying to Canada as well as the United States. Canada has a bigger steel capacity than ever before, nearly double that of the last prewar period, but she is still dependent upon American mills for much of her requirements, at least 25 percent. At the request of American authorities she has agreed to reduce her imports of steel from the United States by nearly 20 percent, and the present situation has led the Dominion Government to give serious consideration to the question of augmenting domestic supplies of this basic material. Such a project would, of course, require considerable planning and a year or more for completion. It would probably be undertaken by the existing steel companies in Canada, with at least part of the capital furnished by the Government.

What She Can Provide

It should not be taken for granted that Canada would provide all types of equipment of the large value of \$4 billion annually. The variety would be somewhat greater than during the 1939-45 period, and would include new types of aircraft, particularly some of the most modern transport, bomber and small fighter planes. Included, also, would be the standard small arms, machine guns, field artillery pieces, ammunition, ships (mostly of small size), special instruments, motor vehicles (both armored and transport) and all kinds of military wearing apparel.

The entire program is to be coordinated with British and American defense preparations, mainly with those of the United States. Already Canada has adopted much the same communication systems, battle procedure and orders and mechanical standards as the United States. In fact, the whole Canadian program is being tied in closely with the American, both as to requirements and procurement capacity, as well as the logical utilization of the resources of both countries, the major idea being, of course, to assign to each of these two nations production material and equipment for which they are best adapted

and to make everything interchangeable. If this grand design were executed, the renewal of the Hyde Park Agreement (mentioned in BANKING some months ago) would come into effect and thus result in the mobilization of the entire continent's resources, and large-scale exchange of materials and equipment.

Canadian participation in the North American defense and Atlantic security projects is not likely to encounter any strong political objection. The new Liberal leader and recent appointee to the Prime Minister's post, Mr. St. Laurent, has been one of the staunchest proponents of these plans. Colonel George Drew, who a few weeks ago vacated the premiership of Ontario to become the new leader of the Progressive-Conservative Party, is a distinguished veteran of World War I, and an outspoken critic of Russian aims. An interesting sidelight on Colonel Drew is that he has valuable American connections, among them his father-in-law, Edward Johnson, one time leading tenor of the Metropolitan Opera of New York City, and recently its general manager. In the next session of the Dominion Parliament, commencing in January, Colonel Drew is likely to press for all possible action in Canada's defense plans and to be critical of any backwardness that he might sense. He is a strong character and a hard fighter, who stands a fair chance of being Canada's next Prime Minister if he can overcome certain prejudices against him in Eastern and Western Canada on the supposition, largely mistaken, that he is of the old Tory type attached to the so-called "big interests."



"The nerve of him — trying to get 16 ones for a \$15-bill!"

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and transpacific air
traffic. Our day and
night Air Mail Transit
Operation is geared
to make the most of
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RESOURCES OVER \$950,000,000

TWO BLADES GREW...

To make two blades of grass grow where but one grew before creates a plus factor in agriculture. To sell a two-dollar product in place of a one-dollar product creates a plus factor in merchandising.

We have accomplished something along this line in the case of Personalized Checks because, instead of selling two hundred conventional pocket checks for perhaps forty cents, we get one dollar and thirty-five cents by enhancing their value with imprinting and numbering.

We would much rather make six per cent (after taxes, that is) on a one

dollar and thirty-five cent sale than six per cent on a forty-cent sale. Bankers would much rather invest one dollar and thirty-five cents — and get it back — than spend forty cents and not get it back. The public would much rather buy Personalized Checks for one dollar and thirty-five cents than get forty cents worth of ordinary checks for nothing.

So here we have a situation where apparently everyone benefits thru the introduction of this plus factor. Perhaps that is why banks from coast to coast are enthusiastically selling DeLuxe Personalized Checks.



Manufacturing Plants at:

NEW YORK, CLEVELAND, CHICAGO, KANSAS CITY, ST. PAUL

Films on Banking for School Use

JOHN B. MACK, JR.

Every discussion of banking public relations sooner or later comes to the conclusion that the heart of our long-range problem is to do a better job of conveying banking information to the students in our schools. Will motion pictures provide an effective way to do this?

MR. MACK is deputy manager of the American Bankers Association and is manager of the Association's Advertising Department and director of its Public Relations Council.

TODAY's students are tomorrow's depositors, tomorrow's voters and tomorrow's leaders in business, politics and community life. All too often a banker will say: "But our problem is now. We must concentrate on the adults." It is true that banks should make every effort to inform the adult population about banking. But that is

no reason for ignoring the steady and ever-growing parade of boys and girls that is moving up through the primary and secondary schools and out into business life, all too often with little or no information about banking.

The writer recently asked a group of boys and girls, newly graduated from high school, what they had learned so far in their studies about banking. After much head scratching they confessed that their banking knowledge was very meager—a little about interest and discount in mathematics courses, a touch of banking history, a little here

and a little there, but nothing very definite. On the other hand, this group had been told nothing negative about banks in their classes. It was simply a case of *no information*, which admittedly is an improvement over the situation of a decade ago when the situation was often one of *misinformation* about banking in the schools. That attitude was a product of the times. Today schools everywhere are eager to give students facts about business and banking, and welcome factual material prepared by business for this purpose.

The reasons high schools should perhaps be the starting point of a program of banking education are presented in this statement by the Commissioner of the U. S. Office of Education:

"About 7,500,000 pupils (68 percent of those in the age groups) go regularly to about 29,000 public and private high schools. Their ages range generally from 14 to 18 years. They are exceedingly impressionable, yet they will soon be old enough to vote. Only a small percentage of them will continue their formal education in college. Here, then, in the high schools of the country may be found at any one time by far the largest number of pupils who are at once eager to learn and mature enough

(CONTINUED ON PAGE 24)



Shots from Coronet Instruction Films featuring, *counterclockwise*, thrift, bank credit and the meaning of money



BANKING

They're prospects today... during



NATIONAL HOME WEEK



And tomorrow... the G-E way of living makes them safer mortgage risks!

This year, countless Americans will visit model homes during National Home Week, from Sept. 5 to 11.

In many of these homes, they'll discover the famous G-E way of living—the modern way of planning a house for better living, *electrically*.

Later, you'll be doing business with these home-buying prospects—weighing securities and risks in considering their new home mortgages.

If the home they're buying features the G-E way of living, then your mortgage risk is improved by the following factors:

1. The homeowner is likely to stay longer in a house that gives him the comforts and conveniences of G-E equipment.
2. The homeowner maintains and improves such a house constantly—thus protecting the resale value.
3. The family uses the home while it is being paid for—a factor that promotes prompt and regular payments.

Here are some further advantages the G-E way of living brings to both mortgagor and mortgagee.

A G-E equipped home is not prohibitive in cost. It usually costs the buyer only an estimated average of \$4.80* more a month in a "packaged mortgage" . . . a mortgage that includes the electrical equipment as a *basic part of the house*.

The economies of owning General Electric appliances are often enough to cover the slight extra monthly charge.

Visit the model homes in *your* community during National Home Week, and get acquainted with the G-E way of living. It is gaining wider acceptance with the home-buying public year after year. (According to a national survey, 51% of the men and 53% of the women said they prefer G-E appliances.) It can contribute to safer home investment programs for you in the future.

Learn the General Electric home bureau story

If you are interested in the inclusion of operating equipment in your realty mortgages, write to the General Electric Home Bureau for further information.

Address the Home Bureau, General Electric Company, Appliance and Merchandise Department, Bridgeport 2, Conn.

*When equipment is included in a long-term mortgage.

GENERAL  ELECTRIC



"Back of Every Promise," The Continental Illinois National Bank of Chicago's new film, is an excellent illustration of a bank film suitable for assembly use. It tells the story of banking and explains correspondent banking services. Takes from this film are shown above.

(CONTINUED FROM PAGE 22)

to comprehend. The 29,000 high schools serving the population in every square mile of land in the entire country, therefore, constitute a major channel through which sound understanding of the truth concerning American industry may flow to the nation in general."

It is difficult to imagine that this question could be answered other than affirmatively. It is true that communists and left-wingers who oppose our free enterprise system and want it to fail will try to obstruct every attempt to disseminate business facts in schools. It is also true that some bankers are reluctant to take the initiative in supplying banking information to schools, feeling that their efforts will be misconstrued as "propaganda." Assuming, however, that the banking information is factual, uncolored with propaganda, purely objective and intelligently presented, no banker need feel anything other than pride in offer-

ing such help to schools. Consider this point of view, as expressed by Howard M. Cool, of the National Association of Better Business Bureaus:

"Business has a perfectly justifiable motive, as an important element of our society, in being concerned with how well our public schools do their job.

"From the products of our schools business must obtain its employees. It must obtain its future customers from the same source. And the very existence of our economy, which business conducts, is dependent upon the calibre of democratic citizenship and statesmanship which the schools inculcate in our youth.

"The fundamental purpose of free, compulsory, tax-supported public schools is to produce citizens who can preserve, promote and perpetuate *this* society. Is there any sensible businessman who cannot see the profit to him in cooperating for the fulfillment of this purpose and aim?"

The high school principals department in the National Educational Association has established a consumer education study to help business in the preparation of educational material. One of its recent publications, *Commercial Supplementary Teaching Materials*, is a gold mine of information for any banker interested in this subject. Dr. Thomas H. Briggs, director of the study, points out that "Every live teacher is alert to enrich and vivify the curriculum." For these purposes teachers want pictorial illustrations, including films. "The desired materials usually are not in the textbooks and cannot be provided from the school's limited budget; so the teacher is receptive to such materials as are offered free of charge or at small cost."

On this same point the University of Iowa in one of its publications said: "Reference materials and concrete materials with which to supplement the

(CONTINUED ON PAGE 26)

"Using the Bank" is the title of a film produced by the Encyclopaedia Britannica Films, Inc. Still shots from this film, below, show the bank's vault and a savings teller handling a customer's deposit. In some scenes the actors speak; in others there is running commentary.



MONEY FLOWS, SHUTTLES FLY

*- you get
your cloth!*



When the United States went to war in 1941, the Chase National Bank had on its books textile loans running to many millions of dollars. In the following years these loans were paid down to about a fifth of their former total as the industry went to work to meet both Government and civilian needs.

Now Chase textile loans have again risen sharply as plants have been expanded and war-worn and obsolete machinery replaced during a period of higher costs.

In meeting the fluctuating demand

for credit, versatile Chase service has helped to push the raw textile fibers over the long road which ends in a new suit, skirt, or handkerchief for you.



*Banks can broaden
their service to customers
by using Chase facilities*

**THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK**

Member Federal Deposit Insurance Corporation

(CONTINUED FROM PAGE 24)

text are necessary to the successful teaching of the social studies. The majority of our textbooks, as well as many reference books, give a very brief treatment of a wide range of subjects. They do not furnish enough detail about any one subject to give students a real understanding of it."

Bankers know that this is particularly true of their own business. Banking has many angles, many services. In some ways it is intricate and difficult to understand unless described in detail. It is a business that deals with intangibles—convenience, safety, peace of mind, security. Abstract and intangible ideas are difficult to convey. A brief mention in a textbook cannot do the job. If students are to learn the basic facts about banking it will be necessary for bankers to take a direct interest in the problem.

Supplementary teaching material on banking might take many different forms. Included could be printed matter, visual charts, demonstration material such as checks and forms, slide films, and motion picture films. Any consideration of material, however, must bear in mind the realities of the school curriculum situation. If banking material is to be put to practical use it must conform to school needs. Curriculums and courses of study cannot be completely recast to accommodate banking or any other material. Many business educational programs have

gone on the rocks because of poor planning in this respect. It is therefore desirable and in fact necessary that educational material on banking fit into present curriculums.

The consumer education study of the N.E.A. has been very helpful to the A.B.A. in making known these requirements of the schools. On the basis of this and other information it is the opinion of the A.B.A. Public Relations Council that one excellent way to convey banking information to school students is through the sound motion picture. This subject has been under study in the A.B.A. for some time, and it is the present conclusion that a series of such films, for integration into high school curriculums, should be made

available. The films should be short, about one reel, or 10 minutes of projection time. Each should deal with one basic subject and not make the error of trying to "cover the waterfront." Films should be devoid of any advertising or "slanting," and should conform to the best modern educational techniques. And they should be made available to schools without cost, as a contribution of banking, if widespread use is to be realized.

At present very few films are available for teaching banking in high schools. Two commercial organizations have produced five films closely related to this subject, three being on specific banking themes. Coronet Instructional Films, Coronet Building, Chicago, has prepared four of these films, as follows:

Fred Meets a Bank. One reel, black and white, or color. Shows the trip of a young boy through a small commercial bank and in doing so explains the services of banking and of the individual bank, including checking, savings, loans and safe deposit.

Banks and Credit. One reel, black and white, or color. Illustrates how credit is created, transferred, how it serves the community, and how both time and demand deposits help supply the funds which enable a bank to fulfill its credit function.

Two other Coronet films, *What Is Money?* and a very recent one on thrift and savings, are not specifically on banking, but are on closely related subjects. All these Coronet films are produced in both black and white and in color, and each is about 10 minutes long. Primary distribution is directly to schools, but prints are also available to banks by purchase at \$45 for a black and white print and \$90 for a color print.

Another producer of educational

(CONTINUED ON PAGE 28)

The Society for Savings, Cleveland, uses the film medium to explain its own school savings plan to students. This film, by combining sight and sound, makes a powerful impact on the minds of the youngsters. This take from the film shows a grade school class in mathematics solving a practical problem in elementary bookkeeping by striking a balance in connection with its school savings accounts



Help Wanted

The purpose of this article is to tell you about some of the thinking that has been going on in your Association about school use of banking films. We have learned a lot on the subject, but still have very much more to learn. Your ideas and suggestions, and the suggestions of officials and teachers in your local schools, will be more than welcome. What subjects should be included? What method of distribution would fit your local situation best? What ideas do you have that will help make this program of banking films a success?



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Back in 1912, when Theodore Roosevelt made his opening campaign speech in Infantry Hall, Providence, the Woonsocket Trust Company became Rhode Island's first bank to join with Christmas Club in offering a new service to its depositors. That service has been maintained most profitably ever since.

Through sound financial planning, and the many advantages of Christmas Club, the progressive management of this company has achieved an enviable

record of accomplishment. In 1912, their total assets were \$97,284.00. As of June 30th, 1948, the total assets amounted to \$13,618,033.00.

Financial men of ability and vision are quick to see the benefits of Christmas Club.

Not only is Christmas Club teaching the habit of thrift to more than ten million Americans, but it is also creating new business for banks everywhere.

When Christmas Club members make their payments week after week in your bank, they think of it as their financial headquarters. They become pre-conditioned prospects for the many other financial services you offer—Banks that have Christmas Club are Banks that grow.

W.E. LAFOND
PRESIDENT
Woonsocket Trust Company
Woonsocket, Rhode Island



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a corporation • FOUNDED BY HERBERT F. RAWL

341 MADISON AVENUE, NEW YORK 17, N. Y.



BUILDS SAVINGS • BUILDS CHARACTER • BUILDS BUSINESS FOR BANKS



WE HAVE NO BRANCHES • MEMBER FEDERAL DEPOSIT INSURANCE



THIS Los Angeles independent bank, with over \$150,000,000 in resources, would like to handle your cash and collection items for you...would welcome an account from your bank...would appreciate the opportunity of serving your customers when they come to Southern California

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CORPORATION AND FEDERAL RESERVE SYSTEM

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STEVENS
& CLARK
FUND, Inc.**

*The price is
just the net
asset value*

Prospectus on Request

10 POST OFFICE SQUARE
BOSTON 9, MASSACHUSETTS

"Saving for a Goal" is the theme of the Dollar Savings Bank's (New York) film in color. It gives students reasons for savings in language they can understand and shows how the school savings plan operates. It features a young boy and his bike. *Above*, an early scene being made

(CONTINUED FROM PAGE 26)
films, Encyclopaedia Britannica Films, Inc., 20 North Wacker Drive, Chicago, has this year produced a banking film entitled *Using the Bank*. This portrays a young man obtaining a loan to go into business, then opening a checking and a savings account, and using other services of the bank.

Both these concerns, and other producers of films for schools, prepare numerous educational films on all subjects. The reason for the small film coverage of banking is obviously that the schools up to this point have not given much attention to the subject in their curriculums. A commercial film-producing company must make a profit to continue in operation, and it cannot be expected to produce films unless there is assurance of wide use by schools. For that reason it cannot be expected, in all fairness, that commercial concerns on their own initiative will prepare a comprehensive series of basic banking films, giving the subject the thorough coverage that it should have. It is much more probable that a successful film program on banking will be financed by banks themselves, as a contribution to education.

THE Public Relations Council of the American Bankers Association will present a school film plan to Association member banks in the near future. In brief, this plan will consist of the production of films on all phases of banking. Films will be 16mm, with sound. They will be black and white, or color, as subject matter dictates. They will be produced with competent educational and motion picture guidance. They will

conform to the recommendations of the Consumer Education Study of the National Education Association. They will have the objective of presenting banking information accurately, honestly, clearly and without advertising or propaganda.

At the request of the A.B.A., Dr. Harold Clark, professor of education at Teachers College, Columbia University, conducted a mail survey of 1,000 school systems all over the country. The purpose of the study was to find the banking subjects schools wanted and would use in film form. The study was made in the name of the university, and the A.B.A. was not mentioned. Fourteen basic banking subjects were listed and the principals, teachers and directors of visual education were asked to state which subjects they "would use," and which they "probably would not use."

The response was very heartening. The leading subject, "How to Use Bank Checks," would find acceptance in 90 percent of the schools surveyed and would not be used in only 10 percent. The second most popular subject, "How to Use a Bank," would be welcomed by 89 percent of the schools. The lowest rating given to any of the general subjects listed was 50 percent "would use" and 50 percent "would not," and the subject so rated was "History of American Banking." Interestingly enough, this subject of history, which was voted "least likely to succeed" in the schools, is the one mentioned most frequently when the matter of banking films is being discussed.

Another survey, made among banks by the A.B.A. this year, revealed that

(CONTINUED ON PAGE 30)



Finger-ease keyboard—Note how every last detail

has been engineered to make the operator's job easier . . . and her time
more valuable to management . . . **finger-shaped key tops** plus
Monroe's famous Velvet Touch combine for new effortless speed . . .
no-glare colors reduce eye strain and therefore help speed the work
... controls grouped for **easiest operation** save time, hence money . . .
front feed carriage takes forms up to $4\frac{3}{4}$ " wide . . . every business man
who seeks unusual performance in an adding-listing machine should see this
Monroe Model 410 in action . . . Telephone the nearest Monroe-owned branch or write

Monroe Calculating Machine Company, Inc., Orange, N. J.

almost like giving
your operators

an extra pair of hands!



MONROE
MACHINES FOR BUSINESS
CALCULATING • ADDING • ACCOUNTING MACHINES



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Provides *American Correspondent Banks* with modern, experienced service
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- First permanent bank in British North America
- First to establish Branch Banking in Canada
- First bank in the capital of Lower Canada
- First bank in the capital of Upper Canada
- First permanent bank west of the Great Lakes
- First institution to provide Canada with a domestic currency (both bills and coinage)
- First bank to assist in financing foreign trade of Canada
- First banker for the Government of Canada

Inquiries regarding correspondent relationships and our facilities may be addressed to any of our American offices or to the Head Office.

NEW YORK: 64 Wall Street CHICAGO: 27 South LaSalle St.
SAN FRANCISCO: 333 California St.

HEAD OFFICE—MONTREAL

Branches throughout Canada and Newfoundland

ASSETS TOTAL OVER \$1,900,000,000

(CONTINUED FROM PAGE 28)

799 out of 1,292 banks responding were interested in films for school use. This was a greater interest than shown in either staff-training films or public relations films.

The Public Relations Council of the A.B.A. has retained the services of Film Counselors, New York City, N. Y., to provide guidance in the technical aspects of script writing, production and distribution. The first phase in the production of the first film in this program has been completed and the scenario, or shooting script, is finished. It represents the work of a good many people, in banking, education and the film field. It deals only with checks, and in fact with only four carefully selected aspects of checks: (a) reasons for their use, (b) how they accomplish the transfer of funds, (c) how to write checks, (d) how to endorse checks.

As this article is being written, consideration is being given to the selection of a producer, and the development of the best possible method of distribution.

While the exact procedure for distribution has not yet been evolved, the basis of the plan is clear. Films should be purchased by local banks (or groups of banks) and donated to the local schools. The Public Relations Council will finance the cost of the first film or two, but if the program is to continue as it should with the continuous production of additional films into the future, it will be necessary for the program to be self-liquidating. The logical and fair plan would be for each bank using the film to pay a small part of the production cost, included in the price it pays for the film. Even so the cost per print will be moderate.

Banks purchasing the film for donation to their local school system will have their name on the film with proper credit as the donor. This may appear at the beginning or end of the picture. It is contemplated that in smaller towns individual banks will be the logical sponsors. In some cases where the school is very small, and where the film will accordingly have limited school use, the bank might wish to retain possession of the print and lend it to the school on request. In this way it could be kept available for other uses, such as showing at P.T.A. meetings, church meetings, 4-H Club affairs, and others of this nature. In larger communities and in cities, the films could well be sponsored by the clearinghouse or other voluntary group of banks.

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Capital paid-up: \$8,195,000.—Pesos Colombian

Reserves: \$9,244,364.—Pesos Colombian

General Manager: Antonio Derka

Head Office: MEDELLIN, COLOMBIA, SOUTH AMERICA

BRANCHES: Anserma (V), Armenia, Barrancabermeja, Barranquilla, BOGOTÁ, Bucaramanga, Cali, Cartagena, Cartago, Cúcuta, Girardot, Magangué, Manizales, Montería, Neiva, Pasto, Pereira, Puerto Berrio, San Gil, San Marcos, Santa Marta, Sincelejo, Socorro, Vélez.

New York Representative—Henry Ludeke, 40 Exchange Place, New York 5, N. Y.



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JOURNAL OF THE AMERICAN BANKERS ASSOCIATION



President Truman

WASHINGTON—

What's Ahead for Reserve Board Policy?

LAWRENCE STAFFORD

It will probably be a month or so after the new Congress meets before it will be possible to get a good hunch about the long-range effects upon business of Mr. Truman's spectacular election victory.

It may take less than a couple of months to grasp an inkling of what the election means to the banking world.

Reserve Board Policy Continues

Barring an unexpected move by the President himself, the same Reserve Board policy and the same Board membership will continue into the new Administration.

Thus, it seems to many that the bond-pegging policy jointly favored by both the Treasury and the Federal Reserve Board is secure for a while. Under this program the Federal Reserve banks peg long-term Treasury bonds to protect the top 2½ percent interest rate. Despite the attack which has been made upon bond pegging, this policy and program looks as if it still has plenty of backing.

FR Board Members Hold Over

The present members of the Federal Reserve Board, none of whose terms expires, are expected to continue into the

new Administration. Prior to developments of the last two or three months, friends of Governor Marriner S. Eccles had looked for him to retire even though his present term does not expire until 1958. His resignation had been anticipated for the late Fall or early Winter.

One factor probably affecting his decision has been the feeling that the Board should fight for more credit control, particularly for a law authorizing the Board to require, if needed, higher bank reserves. The Board presumably would order such reserves if, in its opinion, inflationary pressures were greater than deflationary factors, and if the over-all outlook were inflationary. Mr. Eccles is the most aggressive spokesman for this policy among the Board members.

In fact, even though President Truman last Winter declined to designate him for another four-year term as chairman and subsequently failed to make good on his promise to name Mr. Eccles vice-chairman, the Utah member appears to have justified those who nearly a year ago predicted that despite his demotion he would remain a dominant personality on the Board.

At the same time it appears to some outside observers that there is an approach to harmony between Thomas B.

McCabe, the individual selected by President Truman to succeed Mr. Eccles as chairman, and Governor Eccles. As each month goes by, the viewpoints of both on the inflation problem appear nearer and nearer.

There was no authoritative indication at this writing that Mr. Truman had any thought of disturbing this "teamwork" of Mr. Eccles and Mr. McCabe, the spokesman for the Board.

Higher Reserve Idea To Have Another Go

Any effort of the White House to alter the present composition of the Board would cast doubt upon the Administration's initial backing, before the 81st Congress, of the Board's drive for still higher reserves. While it might raise doubts as to Administration backing, it would not, however, prove to be any insurance that at one stage or another the Administration might not ultimately support this proposition. Any attempt to alter the Board's membership could, of course, have its foundation in personalities, aside from issues.

Nevertheless, one thing which the election has done is to create a much greater prospect for enactment of still higher reserve requirements, should the Administration back this idea firmly. The Administration has such a top-

heavy left-wing Congressional majority, that if it settles upon the higher reserve requirements it will have considerable weight. Congress's approval of price control, even "stand-by" price control, might be in some doubt, but not higher reserves if the White House insists upon them.

There may be doubt that the Administration actually has determined finally whether it wants this proposition, and these doubts may be entertained until the final show-down in Congress, almost regardless of what is said in the next month or so. It is suggested that the White House attitude toward this idea can better be appraised when and if it comes to the fore in Congress.

It is noted that, while restriction of bank credit was No. 1 of the general "anti-inflation" proposals of the November 1947 special session and again before the January 1948 regular session, the President refused to back up the then Chairman Eccles in the 25 percent "secondary reserve" proposal. The Treasury tacitly opposed this plan. The White House turned its back upon the secondary reserve for fear its enactment, even without its full application, might be more inflationary than the status quo or else that a business setback might be threatened. It was during this change of heart on credit control that Mr. Eccles was passed up for

another term as FR Board chairman.

Just when the Congressional spotlight will focus upon higher reserves would be hard to say. It is a device which the public does not understand, yet it can be dragged up as a gesture to control the high cost of living.

The Various Reserve Boosting Plans

1. The most recent proposal seriously considered by Congress for authorizing the Reserve Board to boost required bank reserves is that which was set forth before both the regular and summer special sessions of 1948. This proposal would have vested the Board with authority to order an increase in legal reserves by an additional 10 percent of demand deposits, and 4 percent of time deposits. Congress actually authorized 4 and $1\frac{1}{2}$ points, respectively.

2. The proposal put before the November 1947 special session of Congress called for the creation, at the order of the board, of a special or secondary reserve equivalent to 25 percent of demand and 10 percent of time deposits. This was called the "special" or "secondary" reserve plan. Vault cash, interbank deposits and short-term government securities could be counted as part of the new and additional reserve.

3. Another proposal of considerable technical complexity has been offered as a suggested device by Governor M. S. Szymczak. It calls for a "ceiling reserve" or a "clearing reserve," and is designed to freeze, if the Board so wishes, the banking system's capacity to expand credit.

4. One of the most talked of plans currently is that devised as a result of studies by the staffs of the Federal Reserve banks and the Board. It was outlined last April before the Joint Economic Committee of Congress, and again before the annual conference of the National Association of Supervisors of State Banks, by Karl Bopp, vice-president of the Federal Reserve Bank of Philadelphia.

Under the plan outlined by Mr. Bopp, the old geographical basis of reserve requirements would be abandoned. In place thereof there would be substituted a new system of reserve requirements based upon classes of deposits. Interbank deposits would require maximum reserves of 30 percent; demand deposits, 20 percent, and time deposits, 6 percent. The Reserve Board could raise or lower requirements by as much as 50 percent of these specified percentages.

Former President Herbert Hoover, head of a commission studying the operation of the executive department of the Government, will submit his report to the President in January. He is shown below at a press conference, where a few hints were made as to recommendations that may be expected



Concerned with Member Bank Discrimination

The Reserve Board states it is greatly disturbed over the discrimination which even the 4- and 1½-point higher reserves works upon banks which are members of the Federal Reserve System. This discrimination, it says, is of two kinds. First, it places greater restrictions upon member banks than upon non-members, whose reserve requirements are not boosted. Second, while member banks are penalized, other institutional lenders and even the Government are free to extend credit unhampered by similar restraints, as Chairman McCabe pointed out in his address at the annual stockholders' meeting of the FR Bank of Boston.

With respect to non-members, the Board is moving aggressively to see if higher reserves, should they be voted by Congress, may be applied to non-members.

"I do not see that any threat to our dual banking system is involved in the request that reserve requirements apply equally to member and non-member banks," the Chairman said in his Boston speech. "I am heartily in favor of the dual banking system as I stated. . . . But I do think that in respect to a credit control instrument as powerful as reserves and one so vitally affecting the earning assets of banks, some degree of uniformity of application is essential to the strength and soundness of banking in this country. I do not feel that the need for preserving the respective authorities and jurisdictions of state and national authorities in this matter presents any great difficulty. I am confident that it could be worked out satisfactorily in consultation with the state banking authorities," Mr. McCabe stated.

There was more than a casual suggestion of consultation with the state bank supervisors. The Board has been discussing this problem with the state officials. The Board seeks to enlist the cooperation of the state banking departments in bringing about the uniform application of reserve requirements.

It is not practical, of course, to expect that 48 separate state departments could arrange to bring their own reserve requirements for non-member banks up to the same levels as the Fed. In some cases that would take legislation.

However, feels the Board, the application of a uniform federal law applicable to non-members might be achieved



HARRIS & EWING

Under the auspices of the National Military Establishment, 84 leading citizens in a variety of businesses met last month in the Pentagon Building in Washington to participate in the first joint orientation conference, dealing with organization of the country's armed services and related questions. *Left to right:* Malcolm Muir, president of *Newsweek*; Winthrop Aldrich, chairman, Chase National Bank; General Omar Bradley, Army Chief of Staff; Robert R. Young, chairman, Chesapeake & Ohio Railroad; Arthur H. Sulzberger, publisher, *New York Times*; and John L. Lewis, president, United Mine Workers

in Congress were the state officials in most cases willing to see the need for higher reserves the same way the Reserve Board sees it. In that case the state officials would for the most part desist from the opposition which would reflect itself in Congress against uniform reserves. Then, presumably, uniform application by a federal statute would become a practical legislative possibility.

There is an open question whether the Reserve Board members will back the still higher reserve requirements for which they are now campaigning, if it becomes impractical for one reason or another to require the application of these requirements to the non-members. For the record the Board might be expected to say that, regardless, credit should be further curbed. Nevertheless, the enthusiasm for the proposition applicable only to members would be plainly questionable. A further credit restriction skipping non-members, the Board would likely feel, would threaten the membership and hence the fundamental strength of the System.

On the other hand, the new Congress is dominated by a majority which is little impressed by such constitutional

questions as the jurisdiction of states. It is little impressed with the technical problems of the financial business, and impatient to take bold remedies.

Position of Insurance Companies

At least one far from subtle hint has been given by the Reserve Board that it would endorse legislation curbing the capacity of insurance companies to expand credit while banks were restrained from doing so. One of those hints was thrown out by Mr. Eccles before the Iowa Bankers Association when he said, on this point:

"There needs to be greater recognition on the part of our large nonbank institutional investors that commercial banks are not the only institutions that are expected to act in the public interest to maintain monetary stability. Insurance companies and other holders of the savings of the people have that responsibility as well. If they are unwilling to recognize and to meet their public responsibilities, then it would be necessary to include them as well as banks in a legislative program of adequate monetary and credit control."

As a general proposition, Congress is reluctant to play with the idea of regu-

(CONTINUED ON PAGE 102)

Entertrainment for Bank Staffs

Several state associations are planning to give special attention in their programs for the coming year to the problem of employee training. BANKING presents here—and will report in later issues from time to time—outstanding examples of successful programs of this kind.

THE proper training of employees, apart from indoctrination, is an important problem for all banks. Land Title Bank and Trust Company of Philadelphia has solved the problem with what it terms "entertrainment."

Evolved by Edwin G. Uhl, vice-president and comptroller of the bank, "entertrainment," by utilizing the soap opera technique, trains employees in a forceful, entertaining manner that drives home to the employee that "This

is what your particular job requires." It provides training of a particular or specific nature, and carries on from the point where the indoctrination program ends.

Offered as a program that had been thoroughly tested in 10 months' actual practice at the bank, "entertrainment" was presented by Mr. Uhl at the recent annual convention of the National Association of Bank Auditors and Comptrollers at Atlanta.

Mr. Uhl in his speech before NABAC stressed the fact that there was a need for this type of education in banks, pointing out that department heads may not be qualified or may not have the time to train the employee about his or her job.

In seeking to evolve a training

method that would teach the specific points of a job, and yet would be interesting, Land Title first considered motion pictures but found them too soon outmoded and very costly. It felt that a manual would present the problems of "Would it be read?" and "Would it be understood?" The method finally adopted provides a text just as uniform as a manual and perhaps just as interesting as movies.

"Entertrainment" is a training method based on the making of records dramatizing case histories, with music and sound effects. Played periodically to the employees, each record touches upon one particular subject, brings home to the employees the necessity for guarding against errors and effectively describes their costly results.



All speaking parts are played by Land Title employees, but a professional coach and sound man are used. The records are made at KYW and with that radio station's facilities. Along with the records, the bank also uses a device which projects pictures on the screen to illustrate the points raised in the record.

Thus far the records have been designed for the bank's bookkeeping department. The bank plans one new record a month and is expanding the idea to include other departments of the bank.

Mr. Uhl says that in the time the Land Title has been using the records, "the method has more than proved its worth. Mistakes on the points covered have virtually vanished. Not only that, but the records do not interrupt the employee's routine. There is no classroom; it trains on the spot and little time is wasted. In addition, entertainment is economical, constant, dramatic, easy to absorb, concise, and current, and sure."

In one of the playlets written by Mr.

Uhl on stop-payments, the script dramatizes the following incident:

Voice: So Mr. Tyler wrote to Land Title, confirming the telephoned instructions to stop payment on a check for \$4,715.00 by letter the same day. Almost immediately the ledger card of Tyler Tile Company sported a bright red stop payment form, a sample of which you'll find on the screen before you. Keep looking at that stop payment signal for a moment or two. Let's suppose that it can make a noise and talk. This is what it would sound like!

Sound: SIRENS, BELLS

LOOK OUT! BE CAREFUL! BE ON THE ALERT FOR A CHECK FOR \$4,715.00! DON'T PAY IT! DON'T PAY IT!

Sound: SIRENS, BELLS END

Yes, every time you see one of those red signals that's what it's trying to do for you.

Voice: A few days later the check for \$4,715.00 came through the exchange to the Land Title transit department—then to the bookkeeping department.

The script records danger signals and goes on to recount the tragic fact

that the bookkeeper was not alert, the check was paid and that the trust company not only lost nearly \$5,000 but precious dollars in time consumed.

The script goes on to describe in detail the results of paying the check and finishes with "It'll take a lot of perfect work on the part of Land Title to wipe out his memory of the trouble he encountered by reason of our mistake. That is really the most important point of our story."

Voice: Yes, I can see the importance of the customer's angle.

Voice: Right, Miss Bookkeeper. We want to give the customer accurate, efficient service. That's our main job. Good customer's service. Now look at the screen and tell me, Miss Bookkeeper, what are we going to think of the next time a stop payment signal flashes before our eyes? (At this point a picture of a stop payment signal is projected on the screen)

The recording closes with more wailing of sirens, clanging of bells, words of caution, and fading music.

The control room is an effectively

Bookkeeping head H. M. Delamater introduces the new system



These visual touch helps liven the lesson and drive home a point

Officers Creswell, Justis, Mayhorne, Auld and Uhl bear play



Cost Analysis for the Small Bank

T. ALLEN GLENN, JR.

This article is the third in a series of four, written by the president of the Peoples National Bank, Norristown, Pennsylvania.

Up to this point in the setting up and operation of the perpetual cost analysis system, we have merely allocated various expenses of the bank to the several departments and have thereby determined the cost of operation in each department. The cost figure, being a total, does not mean much in itself, and little or no value can be gained from it unless the bank operator makes a further breakdown on the basis of activity, or volume of work done, in the individual department. Nor can the expense figure mean very much unless the earnings of that department are properly allocated to it in order to determine the net profit from the operation of the department. This article will explain how to take the necessary steps to obtain these figures.

One of the tools necessary is an average balance sheet of the bank. To compute this, it is not necessary to add the asset and liability items on the daily statement for each day and then divide by the number of days involved. An average balance sheet accurate enough for cost analysis purposes can be ob-

tained by adding the figures appearing upon the daily statements of condition as of the end of each month and dividing by the number of months involved in the accounting period.

A Broad Average

However, if the individual bank's figures are subject to violent fluctuations during a normal month, or in a certain season, a broader average should be taken in order to even out the high spots. In this process it is necessary that the average balance sheet include an average figure of every entry that has appeared in the bank's figures during the year on the asset, or liability, side of the statement. From this average statement we then obtain the figures necessary to be posted to the several departmental expense and income distribution sheets. For instance, the average total of consumer credit loans would be posted at the bottom of the consumer credit department expense and distribution sheet. The aver-

age of bonds owned total would be posted to the bottom of the distribution sheet for the bond department. Demand deposits average would be posted at the bottom of the commercial department distribution sheet, and time deposits at the bottom of the savings department distribution sheet, etc.

In distributing the various parts of the average balance sheet to the expense and income distribution sheets, the shareholders funds department will

ILLUSTRATION 3

COMMERCIAL DEPARTMENT (ITEM COST)

	1948
TOTAL EXPENSE (A).....	34,583.84
Less: Maintenance Expense (B).....	6,392.21
NET "ITEM" EXPENSE (C)....	28,191.63
INCOME: Service Charges—	
Tellers.....	527.46
Service Charges—	
Analysis.....	6,873.88
Service Charges—	
Ret. Checks.....	923.30
RETURN ON AVAILABLE FUNDS	61,948.04
TOTAL INCOME (D).....	70,272.68
NET INCOME (A-D).....	35,688.84

ILLUSTRATION 2

SAVINGS DEPARTMENT

	1948
INTEREST EXPENSE.....	31,028.86
TOTAL EXPENSE.....	42,723.66
DEPOSITS: Regular.....	3,298,866.00
Xmas Club.....	73,930.00
Public Funds.....	21,144.00
Total Deposits.....	3,393,940.00
Less: Allowance for Reserves.....	339,394.00
BALANCE AVAILABLE FOR INVESTMENT.....	3,054,546.00
INTEREST ON BALANCE INVESTED.....	70,248.16
SERVICE CHARGES.....	46.92
Total Income.....	70,295.08
NET INCOME.....	27,571.42
% RETURN ON TOTAL DEPOSITS NET.....	0.81
ITEMS: Deposits.....	11,066.00
Withdrawals.....	6,012.00
Xmas Club.....	35,446.00
Total Items.....	52,524.00
PER ITEM COST.....	222¢
AVERAGE RATE ACTUALLY PAID ON BALANCE.....	0.914%
EXP. (OTHER THAN INT.) % OF DEPOSITS.....	0.344%

ILLUSTRATION 1

SHAREHOLDERS FUNDS DEPARTMENT

	1948
TOTAL EXPENSE.....	9,022.54
SHAREHOLDERS FUNDS	
Accruals (DR.).....	24,465.00
Expenses (DR.).....	39,507.00
Miscel. (DR.).....	9,087.00
Capital.....	250,000.00
Surplus.....	250,000.00
Undivided Profits.....	16,936.00
Income.....	54,873.00
Reserves.....	48,072.00
Unearned Discount.....	37,599.00
Miscel.....	22,588.00
NET FUNDS FOR INVESTMENT.	607,009.00
Less: Uninvested Cash.....	259,948.00
BALANCE FOR INVESTMENT.....	347,061.00
INCOME ON INVESTED FUNDS.....	7,990.72
NET RETURN....(Red figure)	1,031.82

RESERVES: Regular	—20%	628,297.00
War Loan	—50%	46,055.00
Public		
Funds	—50%	134,796.00
Total.....		3,503,190.00
RESERVES: Regular	—20%	628,297.00
War Loan	—50%	46,055.00
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War Loan	—50%	46,055.00
Public		
Funds	—50%	134,796.00
RESERVES: Regular	—20%	628,297.00
War Loan	—50%	46,055.00
Public		
Funds	—50%	134,796.00
RESERVES: Regular	—20%	628,297.00
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War Loan	—50%	46,055.00
Public		
Funds	—50%	134,796.00
RESERVES: Regular	—20%	628,297.00
War Loan	—50%	46,055.00
Public		

CONSUMER CREDIT DEPARTMENT
1948

TOTAL EXPENSES (A).....	27,253.42
INCOME: Application Fees.....	113.16
Late Charges.....	967.74
Discount Earned.....	37,028.80
	38,109.70
NET INCOME.....	10,856.28
AVERAGE AMOUNT OUTSTANDING.....	473,109.00
RATE OF RETURN—GROSS.....	8.05%
EXPENSE—% OF INCOME.....	71.5%
EXPENSE—% OF PRINCIPAL.....	5.76%
NET RATE OF RETURN.....	2.29%
LOANS DISBURSED—Number	1,706
LOANS OUTSTANDING—Average Number.....	2,670
TOTAL PAYMENT ENTRIES.....	14,786
ACQUISITION COSTS (Part of A)	17,709.90
AVERAGE COST PER LOAN DISB.....	10.38
COLLECTION COSTS (Part of A)	9,543.52
COST OF COLLECTION PER PAYMENT.....	0.645¢

ILLUSTRATION 4

be used as the "catch-all." To this sheet will be posted such asset items as accruals, expense, and miscellaneous; and such liability items as capital, income, reserves, unearned discount, etc. The purpose of "washing" these items through the shareholders funds department is so that the asset and liability items on the average daily statement, which are posted to the various departmental sheets, will balance. This balance is important in order that we might have an accurate distribution of income among the several earning departments of the bank.

Stick to One System

This work of distributing the average balance sheet figures to the proper departments is essential to the next step, which is determination of the rate of income on investments and the distribution of that income to those departments which really earn the money for the bank. At this point, the author would like to state again that there will be many varying opinions as to the handling of this income distribution. These articles are not the place to enter into an academic discussion along these lines. As previously stated, decisions must be made in setting up this, or any other, cost analysis system. It makes little difference what decision is arrived at as to the handling of certain items. The important point is that the decision be based upon sound logic, and that year after year the same policy is followed, and that the decision once made is not changed.

December 1948

BOND DEPARTMENT

1948

TOTAL EXPENSE.....	2,734.78
TOTAL INCOME.....	61,551.64
NET INCOME.....	58,816.86
AVERAGE BALANCE.....	3,213,813.00
RATE OF RETURN—GROSS.....	1.91%
EXPENSE—% OF INCOME.....	4.44%
EXPENSE—% OF PRINCIPAL.....	0.085%
NET RATE OF RETURN.....	1.83%

ILLUSTRATION 5

Deposits Investable

The one controversial point in this phase of cost analysis which seriously can be raised is the determining of how much of the deposit totals are investable after providing for reserves. There is one school of thought that maintains the amount of demand and/or time deposits that is investable is the amount remaining after deducting therefrom all uninvested cash, including legal reserves. There is a second school of thought that maintains the calculation of investable deposit funds should be on the basis of deducting from deposits only the amount of required reserves, plus the determined amount of working cash essential to the smooth operation of the bank.

To clarify the above point, let us assume that in a bank of \$5 million deposits (and for the purpose of clarification, let us assume these are all demand deposits), the management has determined that required reserves and necessary working cash in the vault and with correspondent banks should total 25 percent of such deposits. Let us suppose, however, the bank actually had average uninvested cash, including legal reserves, of \$2 million. In the reasoning of the first school of thought, the commercial department would then be credited only with the income obtainable upon the investment of \$3 million—the total of \$5 million gross deposits less \$2 million uninvested cash.

Another School of Thought

Under the second school of thought, the commercial department would be credited with earnings on \$3,750,000—the difference between the gross deposits and the 25 percent of such deposits being deemed necessary by management for required reserves and working cash. In the second case, the remaining part of uninvested cash, amounting to \$750,000, would be debited against shareholders funds, thereby reducing

LOAN DEPARTMENT

1948

TOTAL EXPENSE.....	32,775.54
INCOME: Service Charges.....	510.82
Int. & Disc.—Regular.....	32,944.40
Int.—Real Estate Loans.....	68,862.72
	102,317.94
NET INCOME.....	69,542.40
AVERAGE BALANCE.....	2,317,220.00
RATE OF RETURN—GROSS.....	4.41%
EXPENSE TO INCOME.....	32.0%
EXPENSE TO PRINCIPAL.....	1.41%
RATE OF RETURN—NET.....	3.00%
LOANS DISBURSED AND RE-NEWALS.....	984
PAYMENTS—Prior to maturity & maturities.....	3,976
INTEREST BILLINGS.....	484
Total Items.....	5,344
AVERAGE COST—PER ITEM.....	6.02

ILLUSTRATION 6

the amount of shareholders funds available for investment at the rate of return obtained in the investment department.

The theory supporting the second procedure is that it is the policy of the bank that prevents its fully investing the deposits supplied by the commercial department. Since the policies of the bank originate with the board of directors, who are representatives of the shareholders, it should be the shareholders department that carries the extra amount of uninvested cash. On the other hand, the followers of the first school of thought argue that the actual conditions of the bank, not its investment program, determine how much of deposits were actually invested. Under that theory, the shareholders funds are fully invested at all times.

Policy Determines Investments

The author prefers the second school of thought and takes the position that it is not the fault of the commercial department that its deposits are not fully invested, except from required reserves and necessary working cash, and that such deficiency from full investment is the result of policy. If the department builds a deposit structure and management does not invest the deposits to the fullest advantage, the department should not be penalized. However, and for emphasis, the author again states there is merit in both views, and it is not important which method is used, so

(CONTINUED ON PAGE 107)

METHODS and Ideas

The Employee "Suggestion Box"

JOHN L. COOLEY

MANY BANKS find that an employee "suggestion box" (or its equivalent) is a useful, productive gadget. Take the experience of the Continental Illinois National Bank and Trust Company of Chicago as one example, and the First National Bank of Leesburg, Florida, as another.

In the 10 years the Continental Illinois has been rewarding staff members for usable suggestions more than 10,000 ideas have been submitted. Perhaps that's not an astonishing total, considering the size of the bank and the time spread; but the fact that approximately 30 percent of these suggestions have been adopted is a commentary on the contribution which interested employees can make to the streamlining of bank operations.

And from the Leesburg bank comes this observation by Belle S. Hamilton: "You'd be surprised how helpful a suggestion box can be!"

As might be assumed, many suggestions are impractical and more miss the mark than hit it. However, you never can tell who's coming up with a bull's-eye, so banks that encourage these staff ideas say "Keep 'em coming!"

Every suggestion submitted at the Continental Illinois is personally discussed with its originator by an operating officer or senior executive before the idea is accepted or rejected. This procedure, of course, takes time; but it helps sharpen the officers' alertness to new methods of doing things.

To qualify for a Continental award, Second Vice-president Eugene W. Sloan tells BANKING, a suggestion must result in "a definite increase in operating efficiency or improved service to our customers." For ideas pertaining to their own work, department managers or senior officers are not eligible for awards; the bank feels that constructive thinking is part of their jobs.

In most instances initial awards for adopted suggestions range from \$5 to \$10. However, six months or more later the suggestion is reviewed and considered, for an additional award may be made. For ideas of high merit as

much as 50 percent of the first year's saving by the bank may be paid to the originator.

At the Leesburg bank employees are encouraged to deposit (anonymously, if they wish) in a suggestion box ideas for labor-saving methods, operating economies, profit increment, or the improvement of customer and personnel relations. Each accepted suggestion wins for its originator a small immediate prize and an opportunity to compete, at the year-end, for 10 prizes totaling \$200 which are awarded for the best ideas.

The suggestions are made on a special form, with space for the recommendation and for a statement of its intended purpose. The forms are dropped through a slot into a locked container, the key to which is kept by the bank's cashier. Approved suggestions are posted on a bulletin board.

MR. SLOAN has made available to BANKING's readers a sampling of the employee ideas that have been adopted at his bank. Here they are, with his comments on each:

The use of a certain commercial product on brass decorations to eliminate much of the polishing that is now necessary.

"This was suggested by one of our

"No, Mr. Barton, I just had to make this suggestion personally!"



©1968 CARTOON-OF-THE-MONTH

was very much alert and has received an award for the thought."

Use colored paper tape in adding and other machines in order to obtain better legibility and less eyestrain than with the white tape now used.

"A discussion with the suggester, one of our part time people, revealed that he was thinking of a pale green paper, and he brought in a sample of what he had in mind. Our methods review division made a survey with some sample rolls of the green tape, and the results were that the folks talked to seemed to prefer the colored to the white tape. In order to give this a substantial test, our bookkeeping division has ordered a small quantity of the green tape and after an actual period of use, will be able to make a recommendation as to whether it is definitely preferable."

When a customer has both a safekeeping account and a future due collection account, remove the future due and place in safekeeping. This would eliminate two receipts and simplify our records.

"This suggestion is quite involved since two different divisions with separate functions are concerned. The thought was very similar to a recommendation which had been the result of an operational study by the methods review division. This suggestion was referred to methods review and discussion brought out some new points in the proposal. At present, the final outcome is awaiting the results of a further survey now being made."

The use of a wooden gadget to make it easier to collapse the revolving doors in the bank's lobbies.

"This idea was the joint invention of two of our building men. The article was worked out at home and they tried it to make sure it was successful before submitting the idea. It proved to be very satisfactory and our carpenter shop has now made several others for use at the bank. In the case of suggesters, such as this, the award is split equally between them and any subsequent additional awards will be handled in the same manner.

One of our night cleaning women suggested the use of a small magnet to pick up pins. The women wear gloves while cleaning and in order to pick up a small object such as a pin, the gloves would have to be removed. Pins would also get into their cleaning rags and stick their fingers when the rags were wrung out.

"Some small magnets were obtained and used on an experimental basis. They were quite satisfactory and helped to solve the pin problem. Our night



cleaning crew now makes full use of the idea and it has received an award."

MRS. HAMILTON reports that one of her bank's secretaries won the grand prize last year with a suggestion for accelerating the handling of officers' mail. Second prize went to a teller who suggested that customers making deposits containing large amounts of silver be given receipts, and that the deposits be checked later in the day by two tellers, thus eliminating the long lines that form behind customers who wait for coin to be counted. The winner of the third prize suggested that an advertisement be inserted after every fourth page of the instalment loan coupon books, calling attention to the bank's facilities for financing automobiles, household and farm equipment, etc. The idea is that as the coupons are torn out when payments are made, the customer will realize that he can finance other purchases with bank loans.

"For a long time," says Mrs. Hamilton, "lists of overdrafts have been prepared each day for the officers of our bank. Now, as the result of an em-

ployee's suggestion, enough copies are made each day for the tellers. Thus each teller has an opportunity to contact personally some of the customers whose accounts are overdrawn, and also to be on the alert for checks that might further overdraw an account.

"A somewhat similar recommendation was to the effect that a 'caution ticket' be attached to the ledger sheets of accounts on which a teller has requested information from the bookkeepers as to whether a check presented for payment is 'good.' This keeps the bookkeeping department advised that a check has already been okayed on that particular account, and lessens the danger of cashing a check within the account's limits at one window and then returning to another teller to cash a check of similar amount, causing an overdraft."

Mrs. Hamilton observes that of course some ideas miss the boat. For instance, one employee suggested "a basket or rack at each teller's window to hold small packages, mail, or a lady's handbag, so she can have both hands free to handle her deposit."

The bank said "no, thanks" on that one!

Banks' Christmas Plans

Replying to BANKING's question, "Do you plan to do anything special in connection with Christmas?" one banker said he wasn't, but that we'd given him an idea—and he would. Perhaps other bankers gleaned a suggestion or two from "Twas the Month Before Christmas," published in the November magazine. We hope so.

That article, you may recall, was a report on a few of the unusual Christmas observances of banks: special displays, parties for underprivileged children (CONTINUED ON PAGE 94)



The Bank for Savings, New York, has an annual Christmas party for neighborhood children



The Gold Cure for What Ails Us

Essential Steps in Obtaining Monetary Stability

WALTER E. SPAHR

We can attempt international stabilization now if we will proceed by dealing with individual nations rather than by generalized programs on a global basis. The first country to lead the way is our own. Thereafter, other nations should, as they can, indicate their willingness to stabilize their currencies in terms of a fixed weight of gold payable on demand anywhere, any time, by putting their national budgets in order and by removing foreign exchange controls.

The author is professor of economics, New York University, and executive vice-president, Economists' National Committee on Monetary Policy.

THE best thing that could happen to the world today would be a return to real monetary stability, with the United States leading the way. One of the first results would be the clearing away of much of the confusion and anxiety surrounding the international situation. Also, it would go a long way toward alleviating the national debt problem, freeing the banks from the difficult position in which they have been placed by national fiscal policy. It is essential if we want to escape the risks involved in pulling the pegs under long-term government bonds. All of these things will be discussed below in more detail.

First of all, the fact must be faced that monetary "stability" refers, practically, to the free use of gold currency, internationally and domestically, and to paper money redeemable or convertible into gold at a fixed rate.

Monetary "stability" in this basic and practical sense does not refer to, nor does it necessarily involve, a stable price level. With the best monetary system known to man, the price level will, and should, change, but not rapidly. A stable price level is stability in a mathematical abstraction; it does not necessarily reveal anything as to the economic health or maladjustments that may exist.

A country may use much silver and

paper and little gold currency domestically, but, if that nation is to have "stability" in its currency, there should be no important restrictions on the free flow of gold and its other currency across its borders and into and out of its peoples' possession.

Provision for a free flow of gold and silver money across international boundary lines is a basic and required step in international currency stabilization.

Problems Require Individual Treatment

The next fact to be faced is that currency "stabilization" involves the treatment of each country as a separate unit with its own particular or unique problems. The attempt to develop general or blanket plans is a mistake. We have pursued the latter course in recent years, and the lack of success should by this time make it reasonably clear that it rests upon misconception and cannot succeed.

The nature of the problem of what is commonly called "international currency stabilization" was perhaps not fully appreciated when "international programs for currency stabilization" were devised; and the mechanisms designed to make these overall, generalized programs effective have proved defective and difficult in operation, as exemplified by the International Monetary Fund.

From resort, as a policy, to national "planning," in which the differences in, and ingenuity of, individuals are sub-

merged, we embarked on international "planning" in which the different problems of different nations are covered by an international blanket-plan. Such a program merits more analysis than it has received. The basic differences in nations, as in individuals, exist and require recognition. Failure to appreciate these fundamental differences has unfortunately resulted in loss of time and waste of much wealth. Private enterprise has been hampered or repressed. The intricate webs of foreign trade which reflect the activities and ingenuities of millions of individuals and corporate enterprisers have been subjected to strangulating edicts by governments whose officials are supposed to manage this infinite variety of exchange better than can the millions of traders who of necessity must know their business or suffer loss.

The notion developed that government "planning" in this field can be more successful than private enterprise. The consequent losses in wealth and production are probably beyond estimate. The sooner this course is changed the sooner should there be improvement in international relations for us and for other nations.

The United States Should Lead the Way

Our country is in the best position to lead the way, in so far as currency stabilization is concerned, and we should take the proper steps as promptly as possible. It is difficult to see how other countries can go far in currency stabilization if we do not first put our own house in order and permit the free flow of gold, trade, travel and exchange, all of which are of great importance to foreign countries, considering the huge supply of gold we now hold. Unfortunately, the notion has frequently been advanced in this country that we should not attempt to return to a thorough-going gold standard, with its free flow of gold into and out of this country, until the currencies of leading foreign countries have been stabilized.

The corrections needed in our monetary system involve both domestic and international practices and policies.

(1) *Domestically* (a) all our paper money should be made redeemable in gold, directly and indirectly (as in the case of silver certificates) at the rate of \$35 per fine ounce. Gold coins should be permitted to circulate freely.

(b) The reserves of the Federal Reserve banks should be made usable—that is, the banks should be enabled and required to pay them out on demand.

(c) The problems associated with a fractional reserve system should be met head-on, and the adjustments should be made in our banking system which would assure the smooth operation of such a system. For example, all banks with deposits payable on demand should be members of the Federal Reserve and Deposit Insurance systems.

We should not evade the difficulties of a fractional reserve system, as we are doing, by freeing the Reserve banks and the Treasury of the responsibility of paying out their "reserves" on demand. We do not solve properly the problems of economic democracy by depriving individuals of property rights and by placing these individuals under the control of government and central bank planners and managers who are not required to meet their liabilities in terms of acceptable asset cash. The easy, but not the proper, course is to "solve" problems of this type by resorting to government "planning" and management. We unfortunately find acceptance of this type of "solution" in this country today for the problems of fractional reserves and as a protection against potential hoarding of gold.

Effect on Federal Debt

(d) Reconstruction of our federal fiscal affairs should accompany the adoption of a gold coin and redeemable paper money system. Our long-term federal debt, and perhaps our Treasury notes, should be funded into a permanent debt in the form of U. S. Consols bearing a rate of interest—perhaps 3 percent—sufficiently high to induce individual savers and nonbank investing institutions to hold most of them. The commercial banks might be permitted to hold them to an amount equal to their capital accounts plus, say, half their time deposits. The Reserve banks might be restricted to their capital accounts plus, perhaps, something less than half their deposits and Federal Reserve notes. The proper adjustment in details of this nature could follow upon acceptance of the principle of U. S. Consols.

Such a program should do much, perhaps the most that can be done, to solve the problem of the federal debt, and it

should free the banks of the worst aspects of the position into which they have been pushed by Treasury policies. With the federal debt problem disposed of in this manner, the banks could then pursue in a more normal way their usual and appropriate functions. Savers would obtain a better and more fitting return on their savings. The increased interest charge should serve as an additional and proper brake on government spending. The risks involved in attempting to "pull the pegs" from the present government bonds should be escaped in large degree. U. S. Consols, bearing rates high enough to assure holding by savers, should present no important problems in a free market. The Federal Government could buy them in whenever its receipts unexpectedly exceeded anticipated expenditures. The Reserve authorities could then return to their normal and proper functions.

(e) The Government should cut expenses and reduce taxes to encourage production and expansion of capital equipment. In choosing between reduction in the federal debt and in taxes, the greater benefit lies in tax reduction, assuming a balanced budget, since the dollar in government hands is a very inefficient dollar as compared with the dollar held by the individual who earned it and has to face the risks of costs, selling prices and losses, all of which a government can ignore.

(f) The Government should return to its proper province of regulation in the interests of the maintenance of free and fair competition, and abandon programs of management, production and competition with private enterprise. This should reduce sharply both government costs and the waste of our people's wealth. The central policy here should be that of encouraging private enterprise, with our Government confining

itself to its appropriate provinces—those in which private enterprise cannot or does not function.

(2) *Internationally* (a) gold coin and bullion—in fact, all our currency—should be permitted to flow freely into and out of this country. Our restricted international gold bullion standard does not permit this. The control resides with the Treasury, Reserve banks, and our other government institutions which control foreign exchanges in practically every form.

(b) Private enterprise should be encouraged and given free rein in international exchange of goods and services. The Government should abandon management and suppression of, and competition with, such private enterprise. Governments all over the world, including our own, have tied such private enterprise in knots in so far as international exchange is concerned. Only eight small nations are without import or exchange permit requirements—Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Philippines, Saudi Arabia, Tangier. Moderate exchange control is exercised by the government of the Union of South Africa. The result throughout the world is exchange chaos.

The elemental fact should be faced that no government can match the ingenuity of free individuals. Trade, money, exchange and interest rates, and foreign private investments all need to be freed. Exporters and importers need a free hand, and they should be free to get gold and silver with which to work.

Evils in "Planning"

A multitude of evils in exchange controls by government have been allowed to creep in with the inauguration of government "planning" in international economic relations.

(CONTINUED ON PAGE 106)

"Financial stability is necessary for the free flow of international trade, which is the lifeblood of the ERP countries' economy. It profits little to produce more goods unless they can be freely sold in the markets of the world. Yet we can only progress from the refined barter techniques which still characterize too much of intra-European trade and re-establish it on a healthy multilateral basis if confidence is restored in the currencies in which such trade is conducted."

"The prevailing lack of confidence in European currencies is perhaps most dramatically reflected in the flight of capital now going on. The causes are both political and economic. There can be no financial stability in the absence of sound financial policies, but there can also be no financial stability without confidence on the part of the people in the political future of their country."—JOHN J. McCLOY, president of the International Bank for Reconstruction and Development, in address to the National Foreign Trade Council.

PITFALLS OF CONSUMER INSTALMENT CREDIT

What with high prices, a buyers' market in more and more goods, and an inevitable period of readjustment ahead, the task of the consumer loan officer becomes more exacting. Along with Dick Ericson's pen and ink whimsies on these pages are some cold facts that call for thoughtful consideration. The pitfalls were supplied by Louis J. Asterita, secretary, A. B. A. Consumers Credit Committee.



PERSONNEL AND ORGANIZATION—Inexperienced, poorly trained personnel cause losses as surely as if they handed customers dollar bills as souvenirs and kept books "on the cuff." The result is loss of customer confidence and, eventually, ill will



CREDIT RISKS—Pyramiding debt is an introduction to trouble. Can the customer who piles videos on washing machines meet the payments on a new loan and his current obligations?



PUBLIC RELATIONS—Remember that your customers come in to do business—not to be kissed



PRODUCT AND MARKETABILITY—Financing the sale of a product which is not up to the standard of quality or which is overpriced may result in heavy repossession



COSTS



CHARACTER OF DEALER—The high-pressure artist who misrepresents his merchandise hurts your bank



COSTS—Inadequate knowledge of costs may mean all work and no pay



DEALER'S INVENTORY PROBLEMS—Unbalanced inventory—or, as the artist says it, 50 jeeps and one limousine—is poor collateral on floorplan loans to dealers



COLLECTION PROBLEMS—Keep the spider webs off your follow-up procedure. Otherwise—disaster to both bank and community



LOSS RESERVES—Inadequate loss reserves may mean peak losses in bad years

World Business



DEVANEY

Impressive Global Statistics of ECA Aid

HERBERT BRATTER

It goes without saying that the election greatly strengthened the prestige of the Truman Administration in foreign affairs. Moreover, the interregnum of uncertainty which would have attended a change in Administrations has failed to materialize. European reconstruction continues to be a major element in Washington economic policy, with military lend-lease and alliance the coming step.

In China, where at this writing the Nanking Government is taking a severe beating, American policy must be reviewed—and quickly. Governor Dewey's defeat was a defeat for Chiang Kai-shek as well, for the Republican candidate had made big promises of help.

Trade Agreements

The recently announced inauguration next April of trade agreement negotiations with 11 countries will proceed with less fear of Congress than would have been the case under a Republican regime. And extension of the authority to negotiate beyond the present termination date—June 30, 1949—will be less difficult. Political commentators foresee some Cabinet changes, perhaps a new Secretary of Commerce, and sometime in 1949 a new Secretary of State. But the chairman of the NAC

doubtless still will be John Snyder; and, most people think, the Ex-Im Bank will continue to be headed by William McChesney Martin. What happens in Berlin will, after all, decide which way the world's business goes.

\$2,697 Million Authorized

The global statistics of ECA aid to Europe and China become impressive as factors in the market when broken down into components. Thus, from the inception of ECA through November 3, for Europe alone ECA authorized expenditures of \$1,220,000,000 under the heading "food and agriculture."

This included (in millions of dollars): wheat 383, wheat flour 124, fats and oils 140, cotton 136, meats 87, sugar and related products 69, etc. Industrial commodities were authorized to a total of \$1,078,000,000, including (in millions of dollars): chemicals and related products 65, coal and related fuel 155, petroleum and products 242, nonferrous metals 133, iron and steel products 92, machinery 121, vehicles and equipment 103, etc.

For ocean freight alone ECA has authorized more than \$275 million to date. Technical services is an item of some \$1,786,000 in connection with Europe and more than \$1 million thus

far in China. In carrying out the grand total of authorizations of \$2,697,000,000 up to this writing ECA has used the Agriculture Department as its agent for \$328 million of purchases, the Army for \$117 million, and the Navy and Federal Bureau of Supply for relatively small amounts. Through letters of commitment \$767 million has been financed, while reimbursement to recipient countries accounts for \$1,094,000,000.

News on ECA—by ECA

A novel and doubtless effective form of reporting is to be found in the ECA Overseas News Feature service. ECA has hired an experienced news reporter to write feature stories on how ECA is working out abroad. The service, of course, is free to any publication wishing to use it. The idea is to translate developments from the highbrow gobbledegook of lawyers and economists into language that the American newspaper reader can understand. For example, describing the new intra-European payments plan, the ECA says: "Whereas under the present method, the debtor nation is allocated the dollars to purchase from a creditor nation, under the new plan the creditor nation will be allocated the dollars. The creditor nation will immediately set up a

matching fund in its own currency upon which the debtor nation may draw for its purchases. The creditor nation as a result of this plan uses the dollars to purchase from the Western Hemisphere."

The working out of the European payments scheme actually was no simple task for the OEEC. Two schools of thought conflicted. The British insisted upon strict bilateralism in the use of the drawing rights. Certain other European nations, encouraged by the United States, argued for multilateralism which would have permitted France, for instance, to transfer to Belgium its sterling drawing rights. And this, the British claimed, would increase Belgium's sterling holdings to the point where Belgium could demand gold from Britain. In effect, Britain won its point. There is no general, automatic transferability under the program. ECA buys from the creditor countries the soft currencies they acquire under the program.

The new payments plan is an outgrowth of ECA "offshore purchases" in Europe. Instead of dollars being used directly to buy, let us say, machinery in the United Kingdom for France, Britain will extend a sterling credit for the purpose and ECA will pay Britain the equivalent in dollars. Nominally, there will be greater use of European currencies in intra-European trade. To finance this OEEC arrangement, the ECA sets aside \$810 million of its grant money. The Bank for International Settlements acts as clearing agent for the participating European countries.

Keeping Accounts for ECA

The local funds which ECA governments receive for the ERP goods they

sell to their people is an offset to their budget expenditures and has the effect of reducing existing deficits and public debts. But the bookkeeping is not as simple as that. In the United Kingdom, for instance, it involves a six-step procedure. First the Government sells dollars to importers for sterling. These dollars are put into the exchange equalization account and by it are invested in short-term securities, acquired from banks and the money market. Later, ECA reimburses the British Treasury for the dollars thus spent and the Treasury in turn uses the dollars to buy from the Exchange Equalization Fund the short-term securities mentioned above. Instead of cancelling the securities, the Treasury turns them over to the paymaster-general, who maintains a suspense account in the Treasury's name. Then, as the U. S. Government advises the British Treasury of the cost of the dollar aid extended, the British Treasury transfers its assets from the paymaster-general to the special account in the Bank of England where they become "counterpart funds" and, under the understanding with ECA, are then used to reduce the amount of short-term Treasury debt held by the Bank of England.

London's *Financial Times* regards all this as just eyewash to meet "the susceptibilities of our American mentors." The financial newspaper observes that what takes place in the special account is not genuine debt reduction at all, but an "elaborate illusion of debt redemption."

World Bank Checkup

The six-member "ad hoc committee" of World Bank governors appointed at the recent annual meeting to study the functions and remunerations of the

executive directors has been meeting in Washington and will probably hold a session in Europe before it sends in its recommendations. Contrary to some published reports, there is no thought of doing away with the Bank's executive directors and alternates entirely. It is true that under existing conditions the crucial decisions made by the Bank have to be the responsibility of the American management, which may make the international directorate seem superfluous. But the diplomatic amenities have to be preserved. The Bank is "an international institution" and this definition must continue.

Government Negotiating Tax Treaties

To eliminate double taxation the Government has negotiated four income and two estate tax treaties, now in force with Sweden, France, Canada and the United Kingdom; while several others are now before Congress or in process of negotiation. These concern South Africa, Belgium, Luxembourg, the Netherlands, Denmark, the Philippines, New Zealand and Mexico. A new proposed treaty with France also has been negotiated. According to Dr. Max Wasserman of the Commerce Department, income, estate and succession taxes are the principal ones subject to international double taxation.

There are two methods of avoiding international double taxation. One is for a nation unilaterally to provide in its laws for exemptions and credits for foreign taxes paid together with clauses making evasion difficult. The second method is by treaty and protocol to eliminate differences in definition and administration. Neither method alone solves the problem.

Hoarding in the East

Nothing much has happened to discredit hoarding in the Far East. Indeed, the opposite has been taking place. The drastic inflation in China and the less-drastic but still serious problem in India, coupled with the political and military uncertainties, have created a fertile climate for hoarding. In Shanghai many persons are finding it dangerous to hoard gold or dollars. The Generalissimo's Russian-educated son, Chiang Ching-kuo, has made a few heads fly as a warning; so people have taken to buying diamonds instead of gold. You can't beat Gresham's Law with a pistol. Hoarding in Asia is the instinctive result of centuries of insecurity.



EUROPEAN

NOISE Control in Banks

JOHN J. McCANN

Here is the fourth in a series of articles based on the experience of several hundred banks in modernizing old or constructing new quarters, as reported in a survey conducted by this magazine. The author is in the Chicago office of BANKING.

NOISE is disturbing whether it comes in big booms or continuous clatter; to be constantly exposed to it brings on nerve strain, increases errors especially in skilled detail and clerical work, and generally lessens efficiency and productivity. That's what the experts say—with a raft of charts based upon experimental tests in almost every type of business to prove their point.

That banks have long since recog-

nized the hazard of annoying and distracting sound in efficient operation is well established by our surveys of new and remodeled quarters. In the first study, which queried immediate post-war expansion and renovation plans, more than 25 percent of the reporting banks indicated that soundproofing would be among the major improvement items. As previously mentioned in this series, a large number of the jobs reported were merely temporary adjustments, and not all involving major construction. Hence, the actual percentage applied to the larger construction jobs would have probably included at least one out of every two.

BANKING's most recent survey, which analyzed 235 completed bank construc-

tion jobs, both new buildings and remodelings, showed slightly more than 60 percent had soundproofed, completely or in part. Of this group, 78 banks soundproofed their quarters throughout, 19 treated the main lobby only, 27 treated only the workrooms, and 22 soundproofed both lobby and workrooms, but not other departments or sections.

These figures suggest that sound engineering is solving for banks the same occupational noise hazards which affect efficiency and working comfort in other precision industries.

While the sound hazard in banks is largely due to business machines, a word should be said in compliment to the manufacturers who, having

The new Euclid Avenue office of the Central National Bank of Cleveland



Employee Nerves and Bank Appearance Are Benefitted



The Lafayette (Indiana) National Bank



St. Louis County National Bank, Clayton, Missouri

stepped up operating speeds considerably, have still made correspondingly greater strides in developing apparatus to cushion sound. The noiseless typewriter, the accounting machines, and mammoth posting robots which have silenced sound to a whisper are marvels of engineering, but still cannot totally overcome disquieting noises when operated in large batteries. The answer to the problem is acoustic treatment of the rooms, the human equation being ever-present.

To GET a clearer picture of this human equation, not long ago Dr. E. K. Berrien and Dr. C. W. Young of Colgate University made a study of the effect of noise on personnel. They conducted a survey in manufacturing plants, since these locations presented the whole range of noise conditions from comparative calm of an executive office to boiler room confusion.

One of the most interesting discoveries was that skilled and unskilled workers were equally sensitive to sounds. We may take this as indicating that the use of acoustical treatment on the ceiling of a room is as important to the bookkeeper in a bank as the machinist in a factory.

By placing sound absorbing materials on the ceiling, excessive reflection is eliminated and sounds are soaked up, thus preventing the accumulation and spreading that results in distracting noises. The Colgate survey covered several locations both before and after acoustical materials had been installed.

After such treatment one of the first results mentioned by the occupants of a room was easier verbal communications. In factories, for instance, foremen could make themselves heard without shouting and could hear without straining. The same would hold true for departmental heads and supervisors in bank machine rooms.

Also, by eliminating the confusing "bounce back" of sounds, the Colgate study revealed that machines can be operated more efficiently. In one case four out of nine employees said they could hear slight sounds in their machines better after acoustic installations than before. Two of these voluntarily stated that hearing such sounds warned them to turn off their machines to avoid jamming.

Other reports drawn from the field

substantiate that these findings are directly applicable to banking rooms. For instance, Herbert Woodward, vice-president of the Columbia Heights State Bank in Minneapolis, says that, "after only 30-days experience with acoustical ceiling we find that it does more to correct our noise problem than expected. Our bank is now quiet even when overcrowded."

Other banks state similar benefits resulting from soundproofing. Speaking and hearing conditions are better for tellers and their customers. Telephone conversations are conducted with greater ease. Machine noise is less distracting, and traffic sounds in and outside of the room have little or no effect upon concentration.

Also the better efficiency of machine

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Perforated units attached to the ceiling act as sound traps



How To Digest a Meeting

EDWARD WAYNE

The author is vice-president of the Federal Reserve Bank of Richmond, Virginia.

INFLATIONARY pressures are likely to prevail in the immediate future due primarily to the international situation and consequent government spending."

"Wait a minute! I contend that what you have just said is incorrect because, on balance, only under the circumstances of substantially increased government expenditures over a broad area of the economy would it follow. The deflationary forces are at the present time in the ascendancy because the props to the economy have been and are weakening."

"I disagree! Although the props have already weakened, our economy has adjusted without departing from high levels of output and employment, and with short supply still in key areas the inflationary forces will continue to offset localized weaknesses."

THE occasion was another of the periodic staff conferences of the Federal Reserve Bank of Richmond, and the program consisted of reviews of the addresses presented at the Detroit Convention of the A.B.A. and the Louisville Convention of the National Association of Supervisors of State Banks. The "old conservative" Joe Chambers and Dewey (Doctor) Daane, members of the research staff of the Reserve bank, had just reviewed two of the major addresses delivered to the Detroit convention. Being in their usual rare form, they were slugging it out to the delight and benefit of the listeners. These, as well as others in the group, have convictions, and not infrequently these convictions are diametrically opposed.

The vice-president in charge of the examining and bank relations departments presided, and opened the meeting with some pertinent observations about the two conventions. He then called on President Leach, who reviewed one of the convention speeches and then discussed certain features of fiscal and monetary policies.

Some 40 persons, officers of the bank, together with staff members of the research, bank relations, and examining departments participated in the meet-

ing. Inaugurated a few years ago, these conferences have proved most valuable in keeping the officers and members of the staff informed as to current trends and developments in the banking and economic picture. They serve, too, as a clearinghouse for suggestions as to technique, procedures, and so on, and develop the feeling of teamwork within the staff. Conferences are held as often as possible, usually about six times each year, being limited by the fact that only occasionally are the members of the field forces available at the same time.

Conference subjects vary considerably; however, it is a customary practice, following certain conventions attended by representatives of the bank, to review and discuss at least the major speeches. Everyone in attendance at these meetings is encouraged to challenge statements, question obscure points and contribute from his knowledge and experience. The review of speeches is by no means limited to officers and members of the research staff, equal responsibility being carried in the discussion of addresses by members of the examining force, and others in the banking field are called on from time to time. For example, Marchant D. Wornom, secretary of the Virginia Bankers Association, discussed two of the principal addresses made before the State Association Section at the Detroit convention. These features not only add to the interest but to the development of the staff members.

The exchange between Messrs. Chambers and Daane, quoted in the beginning of this article, is typical of the conferences, but by no means are such verbal battles limited to members of the research staff, as the examiners never hesitate to challenge the statements and opinions of the research men or the officers. Each man freely expresses his views and recognizes that he is on his mettle to substantiate the logic of his position. At other conferences held throughout the year, various subjects and a variety of programs are developed. In each case they deal with something of current importance in economics, banking or departmental problems. Not infrequently officials of commercial banks are called upon to discuss such subjects as specialized types of credit, lending or investment policies. At a recent meeting the discussion related to weaknesses developing in loan portfolios, actual cases being drawn from files to emphasize various points, methods of detecting weaknesses and action initiated and other related factors.

These conferences undoubtedly add to the knowledge and understanding of those participating and the field men are thereby better able to meet the challenges, questions and problems they must face from day to day. The conferences also serve to clear up departmental practices and policies and contribute to a closer knit and cooperative staff.

A staff conference at the Federal Reserve Bank of Richmond, with President Leach of the bank leading the discussion. Mr. Wayne is seated in the far corner, watching the speaker



THE INVESTMENT MARKET



Eleventh in a series of famous American skylines — Ft. Worth, Texas

H. EUGENE DICKHUTH

The author is a financial writer on the New York Herald-Tribune.

THE market for new issues continues to present a spotty picture. While recent average monthly flotations were about 20 percent lower than in the first half of the year, the total for the first 10 months of 1948 is about 45 percent above the corresponding period of 1947.

The recent lull began during the summer months which are slow traditionally, and carried over into the period of great political uncertainty at home and abroad. With the election over, the foreign picture continues to loom as a formidable obstacle to free and unfettered economic activities in the United States because of the general assumption that the East-West rift may suddenly develop into a world calamity.

The potential effect of this situation on the capital markets was outlined recently by Allan Sproul, president of the Federal Reserve Bank of New York, who warned the National Foreign Trade Convention that should the situation grow worse the question of some control of capital expenditures for new issues would have to be faced. In the immediate future, he added, the changed Treasury position from one of large surplus to no surplus at all is likely to be the main element in the fiscal-mone-

tary program and may "seriously compromise the chances of attaining a balance of demand for goods and services with the available supply."

Such realistic appraisal of the situation, perhaps not quite as clearly defined as by Mr. Sproul, has been one of the great motivating factors in the hesitancy in all segments of the markets. It is regarded as unlikely that this situation is going to be changed soon. The new issue markets will probably go along at levels commensurate with inflationary purchasing power of the dollar without much shift in the recent pattern.

Utility Issues in '48

The need for building up the country's generating capacity so that it can take care of any emergency has made utility issues so far this year the largest segment, accounting for nearly 40 percent of all new money flotations. Railroad securities offerings have increased more sharply than any other group in 1948—about 150 percent—which is in line with that industry's equipment expansion program—deferred since the war and now capable of realization because of greater availability of steel. That, too, has a national defense connotation.

Telephone companies' financing, up to last year an important factor, has

fallen off somewhat and manufacturing concerns which registered a new high of financing in the last quarter of 1947, account so far this year for only about one-third of new issues, against 45 percent in 1947. In this group, industries which have sought new money include oil companies, iron and steel, machinery, transport equipment excluding automobiles and tobacco.

Control of the capital markets, hinted by Mr. Sproul as a possibility, is unlikely to affect industries whose activities or very existence is essential for the national well-being in war or peace. However, much will depend on the flexibility and wisdom with which such control machinery would be created and run. A precedent to such a move, perhaps, was the mechanism functioning during World War I where a bankers' and underwriters' advisory group was kept abreast of Treasury requirements and cleared all proposed private offerings, their purpose and their timing with the fiscal authorities. It avoided conflict with the war loans. Despite infinitely greater Treasury demand for subscriptions to war loans during the last conflict no such procedure was considered necessary in World War II.

However, even before Mr. Sproul's public remarks the question of reviving the 1917 group in some form had been

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Purchasing Procedure

BANK supplies constitute an important item in a bank's expenses, and, therefore, in the interest of economy, the skillful and efficient purchasing of these supplies is highly important. Purchasing of supplies in quantities which give the advantage of a lower unit price and yet not so large as to run the risk of waste through obsolescence, the proper storage and control of supplies, care of machines and equipment, quality and appearance of supplies — all require careful study and attention if the bank is to receive the highest quality maximum value from the dollars it spends for such items.

Whether a bank is so large that it has a special department which devotes all its time to the purchasing function or is so small that purchasing is only one of many duties performed by an officer or employee, the principles involved and the supplies purchased are essentially the same. Therefore, in order to assist the member banks of the American Bankers Association, large or small, in the most effective purchasing of supplies, the Bank Management Commission has prepared a study dealing with purchasing procedure and technique. The study covers the training and work of the purchasing officer, purchasing procedure, purchase records, sources of supply, inventory and stockroom control including inventory and cost records, stockroom arrangement, layout and arrangement of forms, advantages of standardization, paper for bank use, and planning and designing new forms. Suggestions are made with respect to the purchase of various items, such as filing equipment, furniture and fixtures, machines, adding machine paper, carbon paper, inks, ribbons and publications.

It is hoped that bankers throughout the country will make use of this purchasing manual as it is believed that they will be amply rewarded by following the suggestions and principles set forth.

A copy of the manual is being sent to each member of the American Bankers Association.

BANKING prints here a section on purchasing procedure taken from the manual. Only minor changes have been made. They were necessitated by the fact that only three forms are discussed here, compared with the nine that the manual covers in its complete text on purchasing procedure.

MELVIN C. MILLER
Deputy Manager
American Bankers Association, and
Secretary, Bank Management Commission

EFFICIENT purchasing requires careful study, investigation and analysis of any method of purchasing suggested by a supplier. And the efficient purchasing officer must constantly consider minimum inventory, investments, distribution of supply costs over the year as supplies are consumed, quantities required for periodical consumption, minimum waste of material owned by the bank during finishing processes such as perforating, binding, imprinting, etc.

The ability of bank and manufacturer to estimate approximately the quantities necessary for periodical consumption enables the manufacturer to purchase raw materials most advantageously and safely, since consumption is predetermined. The bank, on the other hand, may withdraw comparatively small quantities, yet enjoy the advantage of quantity purchasing. The supplier profits by manufacturing additional supplies for the bank at times when his plant is not operating at maximum capacity. To illustrate this, customer checks, which must be attractive as well as safe, may be made to the bank's specifications and stocked by the supplier until the bank orders small quantities imprinted for various depositors, the bank paying for the completed books as delivered.

Avoid Rush Orders

It has been the experience of most purchasing agents that printers are inclined to be a little more lenient in price when they are given plenty of time to print a job. Rush orders are costly. Therefore, it behooves every buyer of supplies to give all parties concerned sufficient time to make a valid delivery. To accomplish this, the entire personnel of the bank should cooperate with the one in charge of purchases by making wants known well in advance. Such a procedure on the part of the purchasing officer and his supplier or suppliers will usually result in transactions that are most satisfactory and profitable to both.

Member banks of city or regional clearinghouse associations might co-
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The County Banker



Green County's Five-Year Plan

HAROLD SEVERSON

The author, who is an authority on farm management operations, is a frequent writer for BANKING. In this issue he tells of the leadership furnished by Green County, Kentucky, bankers in helping local farmers supplement their income from tobacco by diversifying their farm production.

FIFTEEN years ago, conditions in Green County, Kentucky, were just plain tough. Taxes had gone uncollected for two or more years. Bills for groceries, fertilizer, farm implements were unpaid. The outlook was bleak. You didn't have to look very hard to find plenty of merchants and professional people who felt the situation was hopeless. In a one-crop economy—in the case of Green County it was burley tobacco—there isn't much hope when prices not only plummet to the floor but crash right through into the basement.

"We were in a bad fix," admits Herman Hagan, vice-president and cashier of the Peoples Bank at Greensburg, the county seat. "Everything in the county centered around tobacco. So when the Fall of 1931 rolled around and the chant of the tobacco auctioneer threatened to sound more like a funeral dirge, we had something to worry about."

The tobacco market, particularly in the sections producing burley tobacco, opened for sale of the 1931 crop with prices ruinous to growers. All looseleaf floors had great stocks of tobacco but no bids were offered. Farmers who had spent months of hard work growing the baskets of velvety leaves were angry, bewildered! Their families were hungry, needed clothing. Grown men stood by their baskets actually weeping, the world toppling about their heads.

Green County weathered that economic storm but it left a deep imprint upon the consciousness of its leaders. During

This highly improved pasture on the Ellis Workman farm near Greensburg, Kentucky, above, shows what can be done through brush clearance and heavy application of grass. With Mr. Workman, left to right, are Herman Hagan, Bill Ashbrook, L. G. Curry, Earl Henderson, Ralph Fontaine, J. L. Taylor, and John Ewing. Messrs. Hagan and Henderson are affiliated with The Peoples Bank, Greensburg, and Mr. Fontaine is executive secretary, Kentucky Bankers Association

the war years, tobacco brought substantial amounts of money to farmers and business people alike. But the lesson of the great depression wasn't forgotten.

"We cannot live by tobacco alone!" asserted John H. Ewing, Jr., the tall, lean county agent who has headquarters at Greensburg. "We'll have to diversify. Our farmers must meet changing conditions and get ready for the years when tobacco will again be a drug on the market. We need to put more emphasis on livestock—beef cattle, sheep, dairying, hogs, and poultry."

Mr. Ewing cited figures to prove his contention.

"Burley is bringing our farmers around \$2.5 million each year," he pointed out. "But our receipts from livestock and poultry are far below that. Now I'll leave it to your thinking to imagine what will happen if the dark, gloomy days of 1932 return to this county. In other parts of the country, farmers can depend upon other sources of income. Down in Middle Tennessee, for example, tobacco growers also have beef and milk cattle, sheep, and poultry. Their pastures are wonderful. In effect, they have a cushion to break the force of the

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Financial Outlook for Agriculture

NORMAN J. WALL

MR. WALL is head of the Division of Agricultural Finance, Bureau of Agricultural Economics of the U. S. Department of Agriculture.

WITH a valuation of more than \$122 billion at the beginning of 1948, agriculture as an industry reached a new peak in value of total assets. Physical assets amounted to \$100 billion and selected financial assets owned by farm people to \$22 billion. Aggregate indebtedness totaled \$9 billion, leaving the equities of operators and landlords in these assets at \$113 billion.

Since the beginning of the year, prices of many agricultural commodities have moved sharply downward; for wheat and corn, farmers receive a dollar less per bushel. These price declines represent a readjustment to increased supplies. A further decline in average of prices received by farmers from the present high level appears to be almost a certainty. How will these price adjustments affect the financial position of agriculture?

At the recent annual Agricultural Outlook Conference, the Bureau of Agricultural Economics presented an analysis outlining probable changes that might occur in the next five or six years under two sets of alternative economic situations. The first assumes continuation of high employment with disposable income per capita at about 1948 rates, despite somewhat lower prices. The second assumes a fourth less disposable income per capita and 10 percent less employment. These two levels are assumed to be about as high or as low as national economic activity will average annually during the five years 1950-54. In both situations, it is anticipated that total population will continue to increase, that financing of agricultural exports by 1952 will have reverted to more nearly normal channels than is now the case, and that economic and political stability will be gradually reestablished over most of the world.

Balance Sheet Changes

Within these two ranges of economic conditions, probable changes in the major items of agriculture's balance sheet are summarized below:

The index of average value per acre

"... a new peak in value of total assets . . ."

The Author



of farm real estate on July 1, 1948, was 174 (1912-14 = 100), 2 percent above 1920 and more than double the 1935-39 average. The increase of 7 percent during the year ended July 1 was slightly more than half as large as occurred in each of the six preceding years. Values are now above their 1920 peak in about three-fourths of the states and in all geographic divisions, except the West North Central states.

Volume of sales during the year ending March 1948 was down 15 percent from the record high of the preceding year. Despite this decline, the number of sales during each of the last five years has exceeded the number reported during the peak years of the World War I period.

Available data on recorded transactions indicate that more than half the sales during each of the last five years have been entirely for cash. Down payments on mortgage-financed transactions during the same period have averaged about two-fifths of the purchase price. Of the farms sold on credit, about a third (a sixth of all sales) involve mortgages for 75 percent or more of the purchase price, and about three-fourths (between a third and two-fifths of all sales) involve mortgages which equaled or exceeded 50 percent of the sale price.

Strong value-stimulating forces continue in the farm real estate market. These include: (1) Highly favorable farm income levels and rates of return on land investments; (2) large accumulations of liquid funds available for land purchase; and (3) reasonably plentiful credit at relatively favorable rates of interest. Many of the machinery and labor shortages that helped to curb the demand for land during and immediately following the war have been considerably eased. Many farmers have exhausted opportunities to invest savings in mortgage reduction, and the incentives for maintaining funds in war and savings bonds have been reduced.

Retarding Boom Factors

But some retarding forces appear to be growing in strength. These include: (1) Cautious attitudes based on recollections of the last land boom; (2) increasing realization that remaining high-income years may be limited, while operating costs are likely to continue high for a longer period; (3) generally conservative credit policies by major lenders in extending credit for financing farm purchases; and (4) a fuller appreciation on the part of buyers of the uncertainties involved in farm purchases at prevailing prices and an unwillingness to risk sacrificing future

living levels to acquire ownership. The increasing influence of such considerations probably accounts for the declining rate in value increases the last year, as well as the reduction in sales volume. The moderating forces have been further strengthened by the weakness in prices for some farm crops. In a few areas they have become the preponderant influence in the land market.

On the basis of the more favorable farm income and parity price situations projected for the outlook period, land values would probably stay within 10 percent of current levels. Whether they would tend to rise or fall from current levels would depend primarily upon long-run implications of basic economic trends, price-support programs, and other circumstances under which the projected income levels were realized. Under the second assumption, land values would probably drop 15 to 20 percent from current levels.

Liquid Assets

Farmers' holdings of liquid assets in the years ahead will be determined mainly by the volume of liquid assets in the hands of all persons and businesses in the United States and by the relation of farm income to national income. Barring war, no considerable change in the public's aggregate holdings of bank deposits, currency, and federal securities is anticipated for the outlook period.

Prospects are that farmers' holdings of liquid assets will decline from the present level of more than \$20 billion to about \$16 or \$17 billion under the most favorable conditions assumed for the period and to about \$13 or \$14 billion under the least favorable conditions. These estimates are based on past and projected future relationships between the proportion of national income received by farmers and the proportion of all liquid assets held by farmers. They should be regarded only as levels toward which farmers' holdings of liquid assets might be expected to move under the conditions assumed. Liquid asset holdings of farmers will probably not drop suddenly but are likely to decline gradually as a result of the "wearing away" of farmers' financial reserves under conditions less favorable to agriculture than those now existing.

Nonreal-Estate Debt

The nonreal-estate (excluding loans made or guaranteed by the Commodity Credit Corporation) or "short-term" debt of farmers was estimated at about \$3 billion on January 1, 1940. It increased by

a half billion during the next two years then declined to about \$2.8 billion on January 1, 1946. The trend was then reversed and short-term debt rose to about \$4.1 billion at the beginning of 1948.

Despite the recent decline of many agricultural prices and the still lower prices assumed for the outlook period, it appears that the nonreal-estate debt of farmers will move to a higher level. From the borrower standpoint, lower farm receipts and continued high costs will mean more operating credit. Many farmers who have been able during recent years to finance their operations from current income will find it necessary to obtain credit. Moreover, the increase in livestock numbers anticipated for the outlook period will probably create additional need for credit despite lower prices for stock and feed.

From the lender standpoint, pressure for liquidation of farmers' loans should be far less under conditions assumed for the outlook period than earlier when farm income declined as it did in 1920-21 and 1929-33. Country banks may offset deposit shrinkages from their large reserves. At the beginning of earlier periods of declining farm income reserves held by country banks were much smaller. Shrinkages of deposits thus forced them to reduce their loans. Country banks are stronger and more agencies finance farmers' production credit requirements. Lending agencies may need to adjust downward some loans to farmers to protect themselves against loss; but pressure on farmer borrowers resulting from shortages of loanable funds is not likely.

Some nonreal-estate debt of farmers will probably be converted into long-term farm-mortgage loans, particularly under the least favorable conditions assumed for the outlook period.

"I'm sorry, madam, but we can't consider the frozen orange juice in your food locker as a 'liquid asset' "



Farm Mortgage Debt

Except for the last two years, farm-mortgage debt has declined for the last quarter century. From a peak of \$10.8 billion on January 1, 1923, it fell steadily to a low of \$4.6 billion on January 1, 1946. By January 1, 1948 the farm-mortgage debt had risen to \$4.8 billion.

Factors that tend to increase farm-mortgage debt probably will outweigh those that tend to decrease it during the outlook period. Under the more favorable assumption, farm-mortgage debt could rise by as much as \$300- or \$400-million a year. Under the second assumption, the debt would probably increase at a lower rate. But it is unlikely that farm-mortgage debt would become as great a financial problem for farmers generally as in either the early Twenties or Thirties. But in the last year or two a considerable number have borrowed to buy farms and have incurred large debts relative to average values and probable future incomes. These borrowers may face real problems.

Over-all Financial Situation

The foregoing evaluations of the outlook for the value of farm real estate and for the debts and liquid assets of farmers suggest that farmers' net worths may be expected to decline considerably, particularly under the least favorable conditions assumed. This is indicated also by the prospects for lower prices at which crop and livestock inventories will be valued. Value of farm machinery, automobiles and motor trucks, and of household goods on farms may increase as farmers continue to mechanize and to modernize their homes, but these increases seem unlikely to equal the declines in values of farm real estate, crop and livestock inventories, and liquid assets. Moreover, farmers' debts are expected to increase under the conditions assumed.

A reduction in net worth will bring about varying degrees of financial problems among farmers. For farmers who are free of debt the reduction in income will merely reduce the amount of current savings. Other farmers will use some of their past savings or liquid assets to meet expenses. Some may find it necessary to borrow on equities.

However, a considerable number of farmers have acquired no substantial savings or equities in their farms. Others acquired liquid assets during the war and immediate postwar period but they spent these savings and acquired additional liabilities to buy land, machinery, and livestock, and otherwise to improve and enlarge their farms.

Woollen Answers "Subsidized Banking" Story

In an address before the annual convention of the Nebraska Bankers Association in Omaha last month, EVANS WOOLLEN, JR., corrected "inaccurate and misleading" statements recently made by an official of the Farm Credit Administration, reviewed the intelligent, far-reaching program of the privately chartered banks to aid agriculture, and reaffirmed the policy of the American Bankers Association with respect to lending agencies subsidized by federal tax funds. Mr. WOOLLEN is chairman of the board of the Fletcher Trust Company, Indianapolis, and president of the A.B.A. The main points of his address are presented below:

ALMOST 12,000 of the 15,000 banks of the country are located in rural communities, and the major part of their business comes from their farmer customers. Banks continue to be the largest lenders to the farmers for both the long and short-term credit requirements. This situation emphasizes the importance of the positive program in which the American Bankers Association is actively engaged to promote soil conservation; cooperation between banks and the farm youth organizations such as 4-H Clubs and Future Farmers of America; the development of new markets for farm products; and other work of a community-advancement nature. Country banking, like farming, is also improving. The banks are constantly working toward adequate credit files which will provide farmers with the same advantages that are enjoyed by industrial and commercial business enterprises which use operating credit based on current credit information.

More Agricultural Departments

"More and more banks are coming to have agricultural departments with trained personnel. In almost half of the states, the colleges of agriculture, in cooperation with the state bankers associations, are conducting agricultural schools for bankers, which cover not only farm financing, but also specific subject matter dealing with production and marketing of agricultural products and with land management. We are especially interested in the welfare of the veteran who is entering into or continuing to engage in farming, and bankers everywhere are working closely with their county agricultural advisory committees.



President Woollen

"As one of the segments of American business with close relationship with agriculture, we also find ourselves having a close relationship with government; and sometimes we are competing for business with government-sponsored agencies. The position of banking with respect to government in the agricultural field is simply this: except in times of dire emergency, it is not a proper function of government to furnish capital to any of its citizens, whether engaged in commerce, in industry, in farming, or in banking; and that when grants of capital are made by the Government, they should be advanced only on the condition that payments should be made for their use pending return of the capital to the United States Treasury.

Cooperative Credit Institutions

"The A.B.A. and its member banks recognize the right of farmers or any other citizens to organize cooperative credit institutions, but hold that such institutions should be self-supporting and not dependent upon subsidies from the Government. It seems to me that this is a fair business proposition. All the banks ask is that the Government fulfill its role of umpire in the game of competition, and not use government resources to favor any one of the contenders. Banks expect competition. Without it, freedom would ultimately vanish. They want their competition to come from competitors who are self-supporting, who have faith in their own ability to succeed, and who stand on their own feet rather than depend on government subsidy.

"Despite this statement of position which has been publicized by the A.B.A. and by the state bankers associations,

there has been misrepresentation about the position of banks and efforts to discredit the banks by making it appear that banks are enjoying generous subsidies from the Government while objecting to others having the same benefits. This line of attack has appeared in testimony of the Farm Credit Administration spokesmen at hearings before committees of Congress. I bring this matter up here at Omaha because of the attack on banks printed in the *Farm Credit Leader*, published in this city by the Farm Credit Administration of Omaha in its summer issue of 1948. The Farm Credit Administration is a government agency supported by appropriations of government funds. Hence, its magazine may be said to be published at the expense of the taxpayers.

"The editor of this publication, who is the general agent of the Farm Credit Administration in Omaha, wrote as follows:

"... And you will also read this testimony of commercial bankers who represent the American Bankers Association. Undoubtedly you will become disturbed over their willingness to accept government funds for the Federal Deposit Insurance Corporation and the Reconstruction Finance Corporation for their use on the very terms they would deny the farm cooperative credit organizations.

"These hearings also bring to light the huge deposits of Federal funds in commercial banks. Over long periods of time these deposits average more than \$18 billion—on which the banks pay no interest, but which they loan at a profit.

"It is not necessary for me to say what might be said about such use of a government publication, financed with public funds. But here in this heart of the agricultural belt from which these misrepresentations have been spread, I want to state the facts so that no one will be deceived.

FDIC Not Lending Agency

"Let's take the charge that the banks enjoy a government subsidy through the Federal Deposit Insurance Corporation. In contrast with the Farm Credit Administration agencies, the FDIC is not a lending agency. It is an insurance fund for the protection of depositors, maintained out of the earnings of the banks, and is not a subsidy to the banks. To get it started, Congress required the United States Treasury to supply \$150 million and the Federal Reserve System, \$139 million. Both of these advances have been paid off in full.

(CONTINUED ON PAGE 103)

NO. 18 IN A SERIES OF COMMUNITY BUILDER STORIES...

"Working together, we're planning A New Broiler Industry in our Community"

Say Banker EARL M. REASOR
and Purina Dealer F. O. ALEXANDER
of Elizabethton, Tenn.



Vice-President of the Carter County Bank, Mr. Reasor says: "I've financed thousands of cattle and know that sound bank financing can build the income of an agricultural community. In 20 years' experience with cattle, I've never had a loss financing them. Poultry financing is something new to me, but I know that a good broiler industry would help build the Elizabethton community through added income, diversified business activity and better quality poultry for housewives and restaurants."

Purina Dealer F. O. Alexander says: "In my 15 years of experience with Purina, I have helped to launch broiler projects in New England, Ohio,

Indiana, Illinois and several other places. I believe a similar program can be successful in Elizabethton — if the producers are wisely selected and supervised — and if they can get sufficient financing to operate on a profitable basis."

Says Reasor: "I can supply the financing to men of character and ability."

Says Alexander: "I am experienced in selecting and supervising feeders who have ability and can supply to them our Purina Program which is backed by years of experience and research."

Say both: "We're going to build a broiler industry in our community."

Partners in COMMUNITY BUILDING



OPPORTUNITIES IN YOUR COMMUNITY

There are new opportunities for community building in your town, too. Make it a point to talk over the livestock and poultry possibilities of your area with your Purina Dealer soon.

If you do not have a Purina Dealer in your town now, find out about the Purina Franchise as an opportunity for young men in your community. Purina Chows for livestock and poultry and Purina Sanitation Products are distributed from 32 strategically located plants and carry the Checkerboard label, rural America's best known trademark.

Franchises are open in some communities now. Find out about this valuable franchise for the new business prospects of your community. Write today to Dept. C,

RALSTON PURINA COMPANY
1600 Checkerboard Square • St. Louis 2, Mo.

News for Country Bankers

Merchandising . . . Bank Operations . . . Legislation . . . Research . . . Better Farming

This selection of news affecting various aspects of country bank management was compiled by MARY B. LEACH of BANKING's editorial staff.

Farm Departments Meet Genuine Need

AMONG the successful features of the first agricultural conference of the Massachusetts Bankers Association, held at the University of Massachusetts, Amherst, early in November, were talks by R. G. Cooke manager, farm loan department, Industrial Trust Company, Providence, Rhode Island and by R. M. Leland, president, Northborough National Bank, Northborough, Massachusetts, on how a \$280,000,000 and a \$1,500,000 bank, respectively, runs a farm loan department.

Mr. Cooke impressed everyone, including the larger banks, that the farm loan department of his bank, which now has three full time men, is doing more to answer problems in public relations than any other department of the bank.

In presenting his bank's farm loan policy, Mr. Leland disclosed that while his bank does not have a so-called outside man, two of his directors are farmers and they work with him in visiting farmers and checking their needs.

"I must admit that some of our methods in respect to agricultural loans would appear quite unorthodox to the average city banker but experience has shown that in this field of banking one must acquire a keen sense of human nature and a clear understanding of personal relations.

"Our volume of loans is almost equally divided between paper originating with dealers and loans made direct, and our experience is satisfactory with both types," said President Leland. Forty percent of the bank's \$800,000 outstanding loans are loans to farmers.

"We often have to leave the rule book at the bank when we go out on these farm loans," Mr. Leland said. "It's a case of improving the rules as we go and fitting each loan to individual circumstances and conditions. Security for the loan and terms of payment enter the picture, of course, but in the last

analysis the character and integrity of the man decides the issue."

Mr. Leland expressed the view that the farmer likes to deal with his local bank; that a farm loan should be made only if it will benefit the farmer, regardless of the security or rate of interest; that farm loans should be self-liquidating so far as practical; that 30-, 60- and 90-day loans are out of place in farm financing; that the time has come to recognize the true status of agriculture in our overall economy; and that a bank that gives financial aid to the farmer can justly claim its position to be that of service to the basic fundamental of the community and nation."

"It is up to banks, both large and small to help the farmer meet changing conditions, and in so doing I am confident they not only will help agriculture to remain a satisfactory business, but develop satisfactory business for themselves as well," he concluded.

The Northborough National entered the farm lending field some 20 years ago and increased its lending aid in 1933.

Maine Bank Makes Farm Friends

DREAMING MOORE'S MASTER, a pedigree Jersey bull, was presented to the Central Maine Artificial Breeding

Association (now consolidated with Maine Breeding Cooperative Association) in 1944 by the First National Bank of Belfast and others interested in raising the economic level of Maine dairymen. Through this benefaction, more than 3,000 calves have been added to Maine's herds.

In a letter to BANKING, President H. R. Stone gave a few details of his bank's farm assistance program. He said that the bank first became interested in the artificial breeding program back in 1942, soon after the breeding association was formed. For each of three years, starting in 1942, it gave 25 free memberships in the association to Waldo County farmers. It now awards these memberships to farmers from time to time as meritorious achievements come to its attention. The memberships are responsible for a good many third-generation artificially bred cattle in Waldo County.

First National does not limit its assistance program to cattlemen, but shares its benefactions with 4-H Clubs and works hand-in-hand with the poultrymen. It has contributed annually to 4-H prizes since the 4-H organization was started in Maine in 1914, and for many years has furnished achievement awards. During the recent annual county 4-H Club exhibit in Belfast,

A second generation artificially bred Holstein calf which traces its ancestry to Dreaming Moore's Master, presented to Maine Breeding Cooperative Association in 1942 by The First National Bank of Belfast. President H. R. Stone is shown in the center, background.



attended by 550 members, First National awarded a purebred Holstein calf to Floyd Fowler of Thorndike for the best dairy achievement record.

4-H Agent Lois Cohoon wrote the bank after this exhibit:

"You don't know how much we appreciate all the cooperation your bank gives 4-H in the county. There certainly would be a lot less 4-H Club work done in the county, if it weren't for you people."

First National's Cashier Claude F. Clement is chairman of the agricultural committee of the Maine Bankers Association.

A.B.A. Asks Forestry Officials' Aid

THE cooperation of state forestry agency officials and heads of forestry schools and departments has been requested by the AGRICULTURAL COMMISSION of the American Bankers Association in working with the state bankers associations in helping solve the nation's forestry problems.

In a letter to the forestry representatives, W. W. Campbell, chairman of the Commission's Soil Conservation Committee, suggested that they contact the secretaries of their state bankers associations, tell them what they know of the forestry situation in their states, what data they have that might be of interest to the banks, and how they can cooperate with the associations in forestry programs undertaken. Several state associations, including Oregon and Florida, now have forestry programs which are being carried on by their agricultural committees.

Sowing Seed for a Good Harvest

THE fourth farm meeting conducted by the Springville office of the Manufacturers and Traders Trust Company was held in Concord Town Hall, Springville, New York, this past Fall.

Sponsored by the bank in the interest of 200 of its farm customers, the theme of the meeting was "Pasture Crop Management and Improvement." Professor Earl M. Kroth, extension agronomist, New York State College of Agriculture, Cornell University, outlined methods of organizing a pasture program and a film entitled "Permanent Agriculture" documented his remarks.

Henry Brooks, secretary of the Erie County Chapter of Future Farmers of America, and the "Concordettes" quartet were featured on the evening program.

A pasture program contest for the Springville area has been announced by the bank for the Spring. Cooperating agencies in this project are the Erie County Farm Bureau, Cattaraugus County Farm Bureau, United States Conservation Service, and the Extension Service of the New York State College of Agriculture.

Some months ago, the young people of Springville area were invited to a "Youth Jamboree," planned to promote a closer relationship between the bank and budding farmers. The 4-H Club of Erie County, the Young Cooperators of the Dairymen's League, and the Future Farmers of America assisted in presenting the program.

The Church and 4-H Clubs

A PLAN to draw the church and rural youth together through 4-H Club projects has been suggested by T. A. "Dad" Erickson, rural services consultant to General Mills, Inc. Mr. Erickson is credited with being the founder of the 4-H movement in Minnesota.

"American life is largely founded on three institutions—family, school, and church. Helping our boys and girls to grow up into fine men and women is a big concern of each of them," said General Mills President Leslie N. Perrin in the introduction to an 18-page illus-



Donald Crouley, vice-president of the Northwest National Bank, Minneapolis, congratulates Donald Kvasnicka of Pratt, Minnesota, on his Grand Champion Chester White barrow, which was bought in by the bank at a record bid of \$3.75 a pound at the Junior Livestock Show in South St. Paul

trated booklet, "The Church and 4-H Clubs," presenting Mr. Erickson's suggestions.

Seven steps are outlined for setting up a 4-H Club by a church group. Copies of the Erickson booklet are available upon request to General Mills.

Progressive Farmer Praises Texas Bankers

IN "Country Bankers Are Waking Up" in the November issue of *The Progressive Farmer* (Texas edition), Associate Editor C. G. Scruggs tells about the superior leadership being offered by several Texas bankers to improve agriculture and stem soil erosion.

Bankers receiving special mention by Editor Scruggs include V. S. Maret, president, Gonzales State Bank, Gonzales; C. M. Malone, vice-chairman of the board, and O. "Dooley" Dawson, vice-president and manager, agricultural department, Second National Bank, Houston; H. W. McGoldrick, vice-president, First Nichols National Bank, Kenedy; J. W. Weinzapfel, president, Muenster State Bank, Muenster; and Marvin Carlisle, vice-president, First National Bank, Tulia.

"Someone has said that his banker has almost as much to do with a farmer's success as the weather," says an editorial in the same issue of *The Progressive Farmer*. "Certain it is that a good banker, interested in agriculture and knowing its problems, is a great asset to a rural community." . . .



Participants in the Manufacturers and Traders Trust Company's farm meeting. Left to right, Cattaraugus County Agricultural Agent Robert Winger; Professor Earl M. Kroth; bank Farm Representative Clyde Johnston; and Erie County Agricultural Agent Malcolm MacDonald

To all banks with a record storage problem:

You can save tremendous amounts of valuable space . . . yet keep your files as complete and accurate as ever . . . by putting old documents on Recordak Microfilm



IF YOU HAVE THE PROBLEM of finding space for old records—and the older and more successful the bank, the greater the accumulation of documents—you ought to record them regularly on Recordak Microfilm.

By doing this, you can retain photographically complete and accurate reproductions of archive material in 2% of the space the originals require . . . give this valuable information maximum protection.

You can destroy old records—and have them, too

By microfilming material that has served its purpose in your bank's daily business, you can destroy it as soon as legal requirements are met . . . without impairing reference facilities. Film-filing, in fact, speeds reference.

By using your present Recordak equipment

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Records can be destroyed immediately in some states

Naturally, you'll want to check the latest laws of your state governing record retention, microfilming, and statutes of limitations. When you do, you'll probably find that a surprisingly large volume of records taking up valuable storage space can now be destroyed. In states where the complete and accurate Recordak Microfilm file is accepted in place of the originals, records can be disposed of as soon as they're microfilmed.

Meanwhile, look over the list of bank records typical of those probably taking up room in your bank . . . consider the cost of storage space



3000 business-letter-size documents
will go on the familiar 100-foot roll
of Recordak Microfilm

Check list of Bank Records for "De-bulking" on Recordak Microfilm

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- Savings ledgers
- Savings withdrawals
- Savings deposits
- Note department liability ledgers
- Auditing department daily statements and debits and credits
- Ledger sheets of suspense accounts
- Trust department asset ledgers
- Christmas Club records
- Correspondence
- Wire transfers
- Judgments
- Deposit slips
- Cancelled cashier's checks
- Certified checks
- Expense checks
- Dividend checks
- Credit Department Records

these days . . . consider the cost of filing cabinets . . . and see what you can save by "filing" old documents on Recordak Microfilm.

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Consumer Credit Digest



CHARLES PHELPS CUSHING

Regulation W, Six Weeks After—A Preliminary Report

A. ANTON FRIEDRICH

The author, a regular contributor to BANKING, is professor of economics at New York University and a member of The Graduate School of Banking faculty. He is also co-author of several books on economics, and contributor on economic subjects to the Encyclopedia of Social Sciences.

THE immediate reaction to the reimposition of consumer credit controls would seem to have been deflationary; tomorrow's trend is still in the crystal ball.

It is now approximately two months after the reimposition of instalment credit controls and a proper time, perhaps, for a preliminary survey of its consequences. What is currently happening in the field of instalment lending? How have both the volume of credits and of outstandings responded to the controls? Has the effect been deflationary, as some hoped? Have the controls had any impact on the consumer durable goods market?

To obtain light on these matters, the Consumer Credit Committee of the American Bankers Association polled some 35 representative operators in the field of consumer credit. They were asked for a statement of their experience in the weeks following the reimposition of controls as well as that of other lenders in their territory regarding changes in the volume of credits

granted, in total outstandings in the various categories of credit, and any other developments which might be related to the operations of Regulation W.

The opinions would naturally reflect in each instance the conditions peculiar to the reporting bank and its territory. Taken as a whole, however, the replies present a composite picture which has more than local significance, particularly in view of the fact that the reports represented the major industrial communities of the North and the South and also several agricultural areas. It is the replies to this inquiry which supply the factual basis for the following discussion.

An Extreme Case: This is the case of an automobile dealer in one of the larger eastern urban centers who specializes in used cars and also handles a not too well established line of new cars. Incidentally, the dealer also handles his own paper. Sixty-nine percent of his new car sales, before Regulation W, were sold, he reports, on a 20 percent down and 36-month basis; used car sales were on 20 to 25 percent down-payment and terms up to 24 months. In this instance both barrels of Regulation W hit squarely between the eyes. As a consequence of the higher down-payments and shorter terms, to quote his words, "we have been out of business since September 20."

Although this is an extreme case it is not an isolated instance. Apparently "easy terms" to sell merchandise at high prices in a period of rising cost of living was a general enough practice to be a competitive factor in the market for some consumer durables. Whether the abrupt termination of these practices since September 20 has had a measurable over-all effect, we do not know. It is interesting to note, however, that several of the replies indicated satisfaction with the removal of this kind of competition.

The Usual Pattern: The usual pattern differed considerably from the above extreme case. Bankers generally had conformed to the standards set in the A.B.A. recommendations both as to down-payments and terms. There was, therefore, scarcely any upward adjustments of down-payments. The most frequent cutback of terms was from 24 to 18 months in the case of new cars and from 18 to 15 months in the case of used cars. Terms for personal loans by and large had been on a 12-month basis. Nor was there a material change in terms with reference to appliances, with some occasional exceptions where lenders had been granting terms up to 24 and even 36 months on some of the more costly appliances. A few banks reported terms even more restrictive than those of Regulation W.

(CONTINUED ON PAGE 66)

FIELD WAREHOUSING

Warehouse Receipt Loans Against Inventory

The high percentage of working capital in inventory makes some open-line loans inventory loans and emphasizes the need for *inventory control*. Our Field Warehouse Service gives you *direct inventory control* . . . exact information of the kind, age, condition, value and quantity of each item in your borrower's inventory . . . and it assures you of the protection inherent in Warehouse Receipt Loans.



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Consumer Credit News

New Jersey Puts Retail Instalment Sales Under Regulation

This compilation is by THEODORE FISCHER of BANKING's editorial staff.

WITH the passage of the "Retail Instalment Sales Act," New Jersey becomes the eighth state with a law governing retail instalment sales. The others are Connecticut, Indiana, Michigan, California, Wisconsin, Maryland and Pennsylvania.

New Jersey's law is designed to curb abuses in this field principally through compelling a full exposure of rates and charges to the customer. It does not restrict charges; rather it brings them to light. It does provide, however, for the licensing of finance companies and requires them to submit rate schedules to the state's Banking Commissioner.

Under the new act, merchants who sell goods on a time basis—for \$3,000 or less—must give each buyer a statement containing all the following information:

(1) The cash price; (2) amount of down-payment; (3) the unpaid balance; (4) cost to the buyer of any insurance to be procured on the goods; (5) amount of the time-price differential (amount in excess of cash price to be paid by the buyer for the privilege of purchasing on the instalment plan); (6) balance owed by the buyer, the number of instalment payments required, and the amount and date of each payment necessary to pay off the balance.

The regulation applies to retail instalment sale of all personal chattels having a cash sale price of \$3,000 or less.

Sales finance companies are required to be licensed annually by the Commissioner of Banking and Insurance. Retail dealers and banks are exempt from licensing, but banks are subject to all other provisions of the law.

Finance companies and banks are required to file rate charts with the commissioner, and such charts must include all filing fees, if any.

The commissioner is required to file all applications for licenses, and may revoke or suspend licenses for certain causes. He has no power to inspect the books or records of a licensee, except upon written complaint. Every licensee has the right of hearing by, and appeal from rulings of, the commissioner.

The act provides for a minimum pre-payment refund, but allows an acquisition charge of \$10. It also sets up fees and charges for the renewal, extension, and refunding of contracts.

Failure to obtain a license subjects finance companies to criminal penalties.

The New Jersey bill is listed as Senate Bill 198, and is officially titled "Retail Instalment Sales Act." It was enacted by the New Jersey legislature on September 8, 1948, was approved by the governor on September 29, and became effective October 1.

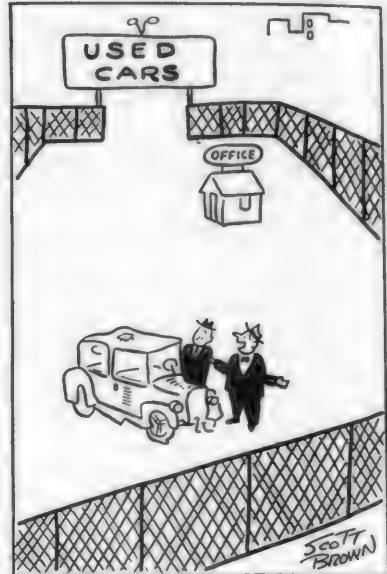
The Big Ones

The two really big things in the instalment credit field continue to be television and automobiles.

Television is the fastest-growing industry in the country's business history. It overshadows even plastics. One of the largest companies in television reports that its production this year is 360 percent ahead of last year. Many producers are operating on two or three shifts, and there is still no slackening in demand.

No less remarkable is the production record of the automotive industry. In three postwar years since October 1945, the industry has produced nearly 12 million vehicles, of which over 8½ million were passenger cars. This was accomplished despite strikes, materials shortages, rising production costs, and other obstacles.

Production this year may reach 5 million for the second time in the history of the industry. The only previous 5-million year was 1929.



"I'm willing to sacrifice it; we need the space."

For the first nine months of this year, factory sales from U. S. plants reached 3,837,860 cars, trucks, and buses. Of a total of 2,782,661 passenger cars, 176,420 went abroad, leaving 2,606,241 for the American market.

What does this mean to the lender? It can mean quite a lot when the sellers' market turns into a buyers' market. In such a sellers' market, repossession is no particular problem. In a buyers' market, it can become something else again.

How far off is this buyers' market? Predictions are a dime a dozen, but there are a number of interesting facts to be considered.

In automobile production, admittedly an amazing job is being accomplished. Exports have been not too bad. Domestic sales have been high. Heavy trucks have become difficult to sell and perhaps more facilities will be turned to passenger car production. High-priced cars are not too easy to dispose of and producers should then be putting greater emphasis on cars of more moderate price.

What about the backlog of orders which make such impressive statistics? A not uncommon practice has been that

(CONTINUED ON PAGE 66, COL. 3)





TRACTOR FARMING
HAS A NEW
Champion

Power farming has made great strides since Allis-Chalmers introduced the first rubber-tired tractor back in 1932. Now comes another big step forward with a new and more efficient farm tractor — the Allis-Chalmers Model WD which utilizes the power of the engine in more labor saving ways than ever before.

Seventeen major new features bring new ease of operation, new versatility, new comfort, new economy and new performance to tractor farming. But that isn't all!

Complete Line of New Quick-Hitch Implements

The Model WD makes its bow with a supporting cast of mounted, semi-mounted, and pull-type implements — all hydraulically operated and matched to the power, speed and weight of the WD tractor. This combination of tractor and quick-hitch tools means more and better work, with less effort, at lower cost.

It is the kind of equipment that increases the farmer's efficiency, cutting his operating costs and increasing his profits.

ALLIS-CHALMERS
TRACTOR DIVISION • MILWAUKEE 1, U.S.A.

5-Way Hydraulic Control

A single touch-control lever at the steering wheel easily (1) lifts and lowers, (2) holds position, (3) regulates depth, (4) controls draft of implements, (5) "delay-lifts" rear tool bar.

Two Clutch Power Control System

Enables the operator to start and stop the tractor without interrupting operation of the power take-off and hydraulic system.

Power-Adjusted Wheel Treads

Spiral-rail rims make it possible to utilize engine power for adjusting rear wheels to the desired spacings. Now it's a quick, effortless switch to proper plowing and mowing treads, also from narrow to widely spaced row-crop cultivation.

Seventeen major new features include: new, light pressure foot-brakes; two-way hydraulic shock absorber seat; easier, more responsive steering; more convenient controls; new low-pitch muffler; ASAE swinging drawbar.



Consumer Credit Digest

(CONTINUED FROM PAGE 62)

In general, therefore, banks had followed conservative credit policies and had relatively little adjustment to make with re-establishment of controls.

The Consequences: A summary of the opinions as to the immediate effects of the reimposition of controls as presented in the replies to the Consumer Credit Committee's inquiry is as follows:

(1) The number of loans granted was generally reported as fewer in October than in the preceding months. Three banks serving a large industrial area reported that an average decline of the number of credits given in appliance paper was 24 percent, motors at retail, 12 percent, personal loans, approximately 9 percent. In this instance the total of outstandings had increased for the month of October, thus indicating that the smaller borrower in the lower income brackets had been closed out of the market.

(2) The volume of outstandings showed a mixed response to the controls. More than half reported a decrease in outstandings, and the remainder an increase or the same. The changes, however, except in a few instances were slight.

If these reports are a reasonably accurate gauge of what is happening generally, the October figures for instalment credit outstandings should provide an interesting contrast to the record of the last seven or eight months, and also to that of October of prior years. In both 1946 and 1947 when, it should be noted, Regulation W was also in effect, instalment credit outstandings showed a considerably greater increase in October than in September. It would appear that this time the reverse will be true.

(3) There was general agreement, although not unanimous opinion, that the downward readjustment of terms has had a direct influence on used car prices and also a lesser influence on new car sales. One reply reported an increase in turn-downs by buyers on dealers' waiting lists. It is, of course, a matter of record that shortly after the controls went into effect used car prices slumped considerably. Most of the replies stated the belief that this turn-down of prices had been materially affected by the controls and that used car prices were headed for a permanently lower level.

(4) October also was a "slow" month for the more expensive electrical appliances, such as refrigerators, washing machines and stoves. Dealers' inven-

The Ubiquitous Jeep

THE Federal Reserve Board has ruled that Jeeps are not subject to the restrictions of Regulation W. They are to be considered as "not automobiles." This places them in the same category as trailers, buses, hearses, ambulances. The ruling, however, applies only to ordinary jeeps and not to the fancier varieties. The Jeep Station Wagon, for instance, comes within the scope of the regulation.

tories, in some instances, made a post-war appearance as a "credit" problem. Dealers of the heavier appliances are now offering "discounts" and "throw-ins." To illustrate: A New York City dealer in electric washing machines is offering as a "throw-in" one year's supply of laundry soap, one clothes hamper and basket combination, 144 hardwood clothespins, 100 feet of cotton clothesline, all for the price of the washing machine. If his price estimates on the throw-ins is correct, it's a bargain but it is also an indication that a sellers' market is no longer with us.

Conclusion: All this adds up to a deflationary picture for at least the first six weeks after the new controls. Is this the beginning of a trend or is it a temporary reaction to the shock of new controls? We can only guess. There are some reasons which suggested that it is a "shock" reaction rather than a reflection of a long-run trend. The advance knowledge on the part of dealers, lenders and consumers of the terms of the regulations may have and probably did result in an unusual concentration of loan applications and approvals in the first three weeks of September. This would obviously tend to reduce the new loan volume the following month.

One of the responding bankers suggested, also, that some consumers, anticipating price reductions as a consequence of credit controls, preferred to wait further clarification before committing themselves to new purchases. Also some time will elapse before consumers readjust their budgetary thinking and planning to the higher down and monthly payments the new regulations require. Thus it may be that some consumers are now holding back but will re-enter the market for durables in later months. The price declines in used cars were in part seasonal and, both with reference to cars and other consumer durables, the increasing supplies have been weakening current price levels.

Consumer Credit News

(CONTINUED FROM PAGE 64)

of ordering a car from several different dealers with the thought in mind that whoever can provide a car first will get the business. Thus one prospective purchaser may show up as several.

A number of people have been giving up their turns on waiting lists to those next in line because their cars came sooner than expected and they didn't have the money. The constantly increasing prices have convinced many families that they'd have to make the old jalopy do for a while longer.

Some interesting forecasts have been coming from within the industry. J. R. Davis, director of sales for Ford, says that a strong sellers' market in Ford-priced cars will continue for one and one-half to two years. "I am convinced," he says, "that we will approach a buyers' market much sooner for cars in the upper-price brackets. We have already reached a buyers' market for heavy trucks; and one or two makes of cars in the medium and high-price field are now available for immediate delivery in the United States."

D. E. Ahrens, general sales manager for Cadillac, has predicted that "a buyers' market in the automotive industry is likely by the Fall of 1949, with industry production making strides to overcome the supply deficit by that time."

This begins to add up. It points to the fact that one of these days—in the not too distant future—supply will catch up with demand. The day that this will happen can hardly be forecast accurately, nor is it too important. It may be hastened by a "readjustment" or held off by other factors. Regulation W may have a certain effect on it. The prudent banker will continue a policy of making close scrutiny of his loan applications. Such a policy is bound to pay off.

Only "Peanuts"

INSTALMENT financing during the post-armistice boom rose sharply, but not disproportionately to other expansion in the national economy. Certainly consumer credit did not run ahead of total consumer income and expenditures. The amount of curtailment which the new regulation can create is peanuts compared to the impact on the national economy of spending by the Federal Government at more than four times the most extravagant prewar rate of the New Deal.

—MERRYLE S. RUKEYSER

How easily good loans get wiped out!

Losses are reported every day that your borrowers would never expect

Police Records are full of business tragedies. And when they involve a borrower's money, securities or property, an unexpected loss could seriously affect the credit you have extended.

★ ★ ★

When you consider a business loan, check the potential borrower's entire insurance program. You will find that money, securities and other property are subject to possible loss, so be sure to ask if the new Comprehensive DDD Policy is carried. DDD stands for, and covers, Dishonesty, Disappearance and Destruction — 7 days a week—every day of the year!



The most trusted employees have been known to juggle business firms' books ... and often disappear with thousands of dollars before even suspected.



Valuable securities have just "disappeared" from this borrower's desk. No one knows how, but they're gone, resulting in a heavy loss to the business.



Safe crackers work most successfully on Sundays when there's heavy weekend cash on hand. Another possibly crippling loss to your bank customer.



Too often employees are held up while making up the payroll. Loss of a pay-period's salaries and wages might ruin some firms. How about your loans?

USE THIS INSURANCE ✓ CHECK LIST ON BORROWER'S SOLVENCY

Is his business adequately covered against loss by—

- ✓ Fire and Extended Coverage (bldgs. & stock)
- ✓ Business Interruption Insurance
- ✓ Blanket Liability Insurance
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- ✓ Burglary & Holdup Insurance
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BANK LAW NEWS

Checks · Impostor Rule · Bad Debt Deduction

DELAYED PRESENTMENT

WHAT constitutes an unreasonable delay in the presentation of a check for payment has been discussed by the New Jersey Court of Errors and Appeals.

The facts involved were these. Defendant lived in New Jersey. He purchased an airplane and gave two checks, one for \$1,000 and the other for \$1,300, to the seller in California. He later sent a third check for \$2,300 on the assurance that the other two checks would be returned. They were not returned.

Instead, about five weeks after the \$1,300 check was drawn, the seller deposited it in his bank in California. He was permitted to draw against it for its full amount before it was collected. Then, when the California bank attempted to collect the check from the New Jersey payee, it found that payment had been stopped. It thereupon attempted to recover the amount of the check from the defendant.

Defendant made two claims. First, that if the bank had followed usual banking practice it would not have permitted withdrawals against the check until it had ascertained whether it was good, and thus would have suffered no loss. Second, that there had been an unreasonable delay in negotiating the check and this should have put the bank on notice to ascertain the reason for the delay.

The court did not discuss the first claim. As to the second, it stated that whether the negotiation of a check involves an unreasonable length of time is a question of fact for a jury and not a strict question of law.

It then noted that the Negotiable Instruments Law provides merely that a check must be presented for payment within a reasonable time after its issue or the drawer will be discharged from liability to the extent of any loss caused by the delay. It also noted that the NIL provides that, in regard to determining what is a reasonable

or unreasonable time, regard is to be had to the nature of the instrument, to any usages of trade or business with respect to such instruments, and to the facts of the particular case.

The court pointed out that this latter provision of the NIL permits the introduction of all facts surrounding the making and acceptance of a check and the special circumstances which prompted the delay in presentment for payment, and makes the question of what is a reasonable or an unreasonable time one for the determination of a jury under the guidance of a court.

A jury, guided by a lower court, had found that the facts and circumstances of the case represented an unreasonable delay. The appellate court upheld its findings and agreed that defendant was not liable. First Nat. Bank at Glendale v. Sussex County Airport, Inc. 61 A. 2d 206. *P.D.*, Presentment §2.

UNCOLLECTED FUNDS

In reversing a conviction for "swindling by worthless check," the Texas

Court of Criminal Appeals has made some interesting observations on the right of a depositor to have checks drawn against uncollected funds honored by his bank.

Defendant was a cattle dealer "who had been doing quite an extensive business in buying and selling cattle." It seems that it was his practice to deposit in his bank, either in person or by mail, checks which he received for cattle sold, and to draw against them to pay for cattle bought.

On August 21 he drew a check. Four days later he deposited a check drawn on an out-of-town bank. The bank gave defendant a deposit slip which led him to believe that he had total funds on deposit sufficient to pay his check. Unknown to defendant, however, the bank noted on its records that no withdrawals were to be permitted against the out-of-town check for three days—the time necessary to collect it.

As a result, payment of defendant's check was refused because of "uncollected funds." Prosecution for swindling followed.

The court of appeals held that defendant's check was dishonored "because of the acts of the bank," not of the defendant who "had every reason to believe . . . from the way he had done business with the bank in the past, that the check would be paid in the due course of business."

Although the check deposited on the 25th was not collected until several days later, the court held that it had made defendant's balance sufficient to cover his own check of the 21st. If the bank did not intend to honor checks against that deposit, said the court, it should have so notified defendant; otherwise, he had a right to believe that he had sufficient funds on deposit.

To strengthen its case against defendant, the prosecution gave evidence that the bank had notified defendant some time previously, that a check he was then depositing would not be sub-

(CONTINUED ON PAGE 70)



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1

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(CONTINUED FROM PAGE 68)
 ject to check until collected. According to the court, this merely added strength to defendant's position, giving him the right to assume that his bank would again advise him whenever a deposit would not be subject to check. Moody v. State 213 S.W. 2d 539. P.D., Checks §22:8

IMPOSTOR RULE

The Fifth Circuit Court of Appeals, in a case reported here in November 1947, laid down the rule to be applied when a bank guarantees prior endorsements of a government check made payable to an imposter: If the bank as-

certains that the person for whom it cashes the check is the person to whom the Government intended the check to be paid, the bank is not liable on its guarantee.

The Federal District Court for the Western District of Louisiana has now applied that rule to the facts of the original case. In so doing it has also denied the Government's contention that the so-called impostor rule should not apply when all transactions between Government and impostor were carried on by mail, no government official ever seeing the impostor in person.

The court has also stated its opinion that under the circuit court rule the

phrase, "previous endorsements guaranteed," placed by a paying bank on the back of a governmental check, now merely means that the paying bank is satisfied that the physical person being paid is the person the Government thinks should be paid. It does not signify that the paying bank made any inquiry as to whether the physical person paid was actually the person named as payee. U. S. v. Continental-American Bank & Trust Co. 79 F. Supp. 450. P.D., Indorser §18A

TAX ON RECOVERED DEBT

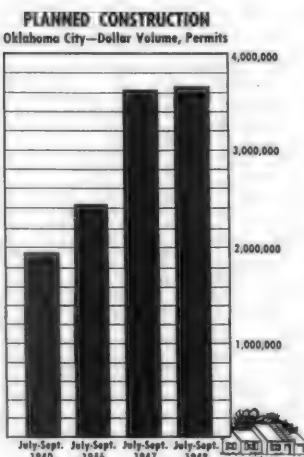
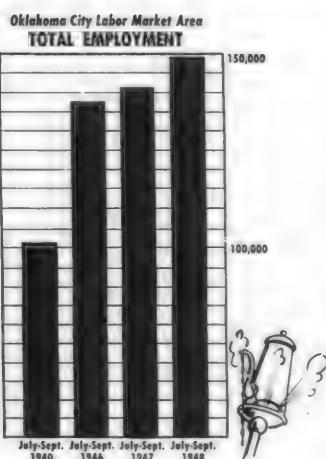
Sums collected on notes previously charged off by a bank as worthless, used for a bad-debt income tax deduction, and assigned as a dividend to stockholders, will still be taxed as part of the bank's gross income, according to a majority of the judges of the Fifth Circuit Court of Appeals.

The circuit court agreed with the U. S. Tax Court that the assignment of the notes in question had been made in good faith and that the bank's stockholders owned the notes at the time the collections were made. Otherwise it disagreed with the tax court and overturned its previous findings.

An income tax deduction is allowed for a worthless debt because capital to the amount of the debt has been lost and income must be used to replace it. When the deduction is allowed, the amount of the debt ceases to be capital and becomes merely potential income. And thus, said the court, any recoveries which may be made on the debt in later years constitute taxable income to the extent of the income deduction previously allowed.

That settled, there remained the question of who should pay the tax. The fact that title to the "worthless notes" had passed to the bank's stockholders did not bother the court unduly. Revenue acts, it was said, "are not so much concerned with the refinements of title as with the actual command over the income which is taxed." The power to dispose of income is equivalent to ownership, and the exercise of that power to procure the payment of income to another is the realization of the income, and in the final analysis, said the court; it is the realization of income, rather than the acquisition of the right to receive it, that is taxable. Hence, it was said, there is no reason why the general rule that income tax is not to be avoided by an anticipatory assignment of income should not apply to the dividends in this case.

In other words, said the court, the avoidance of taxes may be perfectly



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legitimate, but it cannot be done by the anticipatory assignment of notes representing income, as a dividend in kind, and the subsequent collection of the notes by the assignees. A bank, it was noted, is organized and operated for profit; the acquisition of profits for its shareholders is the purpose of its creation; the collection of interest on loans is a principal source of its income; the payment of dividends to its shareholders is the enjoyment of its income. "A body corporate can be said to enjoy its income in no other way"—and income tax laws do not contemplate that such enjoyment be pure and unadulterated.

And finally, said the court, the incentive to claim a bad-debt deduction "may be tempered by the certainty that in subsequent years, if recovered, the debt will be treated not as a capital asset but as income." *Commr. of Internal Revenue v. First State Bank.* 168 F.2d 1004.

Auto Title Act Valid

Michigan's supreme court has conceded that the state's law to regulate the sale of motor vehicles on the instalment plan creates confusion with the state's motor vehicle title act, but has at the same time ruled that the confu-

sion is not such as to render the latter act unconstitutional.

Both the title act and the instalment sales act attempt to regulate the same thing. One of the subjects of the regulation, an automobile dealer, decided to make a test case of the title act and found only that he had made the wrong interpretation of it.

Both of the statutes require that a buyer of a car receive a written statement of charges. The Motor Vehicle Title Act provides that finance charges and insurance charges be stated separately and makes violation of any of its provisions a misdemeanor, punishable by fine and imprisonment. The Motor Vehicle Retail Instalment Sales Contract Act allows the same charges to be combined in the statement given at the time of the sale, provided that a statement itemizing them separately be given the buyer within 25 days after the sale. A seller may not recover finance charges called for in any instrument which fails to "substantially comply" with the requirements of the latter act.

Defendant had complied with the instalment sales law, furnishing an instrument with finance and insurance charges combined and later send the required separate statement. He thus did not comply with the title act, and

was accordingly prosecuted and found guilty of violating it. He appealed his conviction, claiming that the act was so uncertain that it would be a denial of due process of law to invoke its penalty provisions.

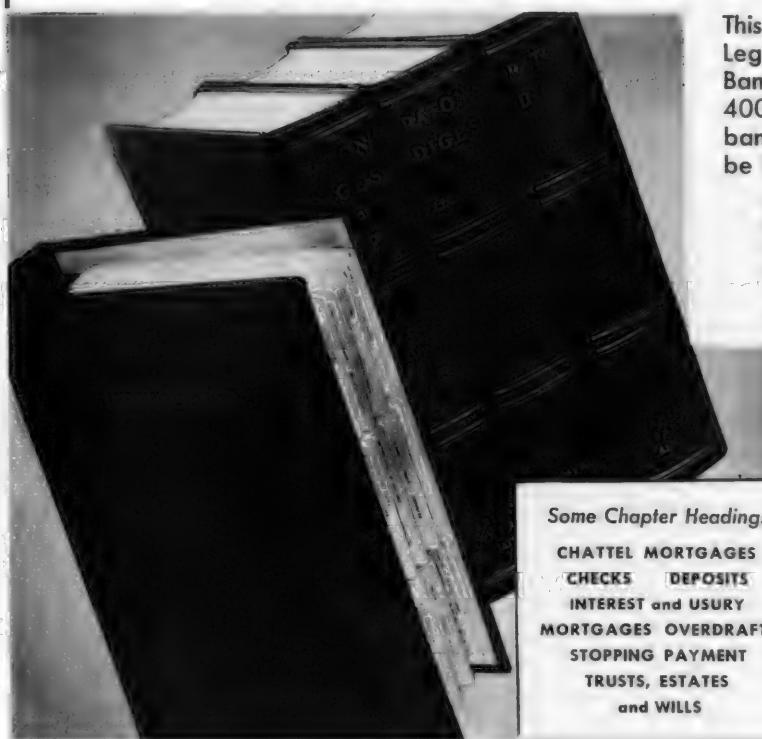
Pointing out that the two laws were separate and distinct, one being a criminal statute and the other civil, and that compliance with the one does not excuse failure to comply with the other, the court then gave defendant scant cause for comfort by remarking that the title act was clear enough, defendant's confusion merely resulting from the co-existence of the other act. *People v. Dale H. Hughes, Inc.* 33 N.W.2d 86.

Instalment Sale Regulation

The New Jersey legislature has now joined the growing list of states attempting to regulate the sale of merchandise on the instalment plan. (See BANKING for December 1947 and January 1948.)

The new legislation, Chapter 419 of the Public Laws of 1948, defines and regulates instalment sales in the amount of \$3,000 or less. Administration of the act, which among other things requires licensing of finance companies acquiring instalment paper from retail dealers, is vested in the commissioner of banking.

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Five-Year Plan

(CONTINUED FROM PAGE 53)

fall if tobacco prices should tumble again. We can do the same thing here."

Meeting from time to time with Bankers Herman Hagan and Earl Henderson of The Peoples Bank and J. F. Miller, vice-president of the Greensburg Deposit Bank, County Agent Ewing and representatives of other agricultural agencies began discussing plans of meeting a future slump in farm prices. Out of these informal discussions grew a meeting, held December 13, 1947, in the basement of The Peoples Bank. It was called to outline plans for stepping up a diversified farming program for Green County.

Out of that discussion grew Green County's five-year plan designed to bring about a diversified farming program. Sparked by the two banks in the county and pushed by the agricultural agencies, the plan has been singled out by agricultural experts as a model for other one-crop counties to follow. Particularly do they emphasize the point that this county lacks the advantages possessed by those with richer soil.

UNDER the five-year program, tobacco will continue to be the major source of farm income with \$2.5 million earmarked as the goal. But instead of being the sole source of income, tobacco will be joined by other programs.

"There's no reason why this big forward movement can't bring an extra \$2.5 million into the pockets of Green County farmers," declares Banker Hagan. "Dairying, for example, could provide a million dollars through sale of milk and other dairy products. We expect to see, by 1953, beef cattle bringing good money into the county. We figure a goal of \$800,000 from sale of beef cattle including vealers, baby beefeves, stock cattle. This goal can easily be attained by use of more purebred bulls, improved pastures, hay crops, and culling of scrub cattle.

"Pork production in our county calls for an income of \$250,000," Mr. Hagan continued. "Mr. Ewing and the vocational agriculture instructors will emphasize the importance of sanitation and proper feeding and breeding programs. Poultry should bring around \$300,000 annually and sheep, while it could be built into a major source of income, was set at a goal of \$100,000 each year. Then, in order to reach the total of \$5 million each year, the sale of grain, seeds, garden produce, saw logs, strawberries, etc., will be encouraged."

Having outlined the five-year program, the next step was to set it into motion. The Greensburg bankers provided the initial impetus. The two banks agreed to meet the cost of a turkey dinner served in the Greensburg high school building early in February. Despite a severe snowstorm, more than 100 farmers, businessmen, FFA and 4-H Club members, and professional people were present to hear the plan proposed. The principal speaker was John F. Graham, agricultural representative of the Kentucky Bankers Association, who cited the five-year plan as typical of the projects which the association hopes to see more and more bankers helping to get underway.

This meeting served notice to Green County that the bankers and farm leaders like the county agent, soil conservation technician and vocational agriculture instructors were in dead earnest about the five-year program. But this meeting was only one of a series. On July 28, 1948, the two banks sponsored a tour of the L. W. Shirley farm near Exie. It attracted 325 farmers who saw what can be done under adverse conditions.

The Shirleys had purchased their 90-acre farm in 1924. There isn't a single level acre on the entire place; in fact, "there isn't a level spot on it large enough to build a house without considerable excavation," according to bankers Walton Burress and Earl Henderson. Yet the hillside farm looks like it was one of the best river bottom spots. Alfalfa, orchard grass, blue grass, clover cover every acre of pasture. The visiting farmers saw hillside ditches, fences on the contour, contour cultivation, forestry projects, fields that had

been limed, marled, phosphated, manured, and seeded to mixtures of adapted grasses and legumes. Field agents from the College of Agriculture at the University of Kentucky praised the farm but pointed out it could be duplicated by other farmers.

"That's our thought in holding tours of this type," explains Mr. Hagan. "It opens the eyes of skeptical farmers who cannot see the point of fertilizing pastures or removing brush. When they hear the reports of outstanding farmers like Mr. Shirley, they can see why we urge them to get into dairying or sheep or beef cattle. I've been told that bankers have a lot of influence with farmers, but sometimes I doubt it when I try to tell a hardheaded tobacco grower that he should put some of his tobacco money into a small herd of milk cows or to get his sons interested in sheep. But when I invite that same farmer to be my guest at a tour of an outstanding farm operated by a farmer in the same bracket as he is in, he gets a new viewpoint. When the owner of a good farm tells what he gets from his fertilized pastures in the way of beef returns, that carries a convincing message. So both my bank and the Greensburg Deposit Bank are going to continue sponsoring tours."

LOOKING to the future—or more specifically, to 1952—Messrs. Hagan and Miller are confident that an ever increasing percentage of Green County's acreage will be restored to productivity. They see lush pastures, sleek herds of beef and milk cattle, fine flocks of sheep, and poultry, and good buildings testifying to the importance of the program.

"Our program will soon be a year old," Mr. Hagan explains, "but it's easy to see we're making progress. The encouraging thing to us is that it's so easily done. By spending a few hundred dollars on dinners for those in attendance at our meetings and tours, we're getting the program underway."

Green County, Kentucky, bankers and agricultural workers watch one phase of the county's five-year program in operation. The huge bulldozer is clearing off brush and filling in a huge gully to create better pasture for a farmer's grazing program



how

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Other Organizations

Public Speaking Prizes Offered

PRIZES of \$250, \$150 and \$100 are being offered by the Virginia Bankers Association in a public speaking contest for the high school boys and girls of the state. The subject of the contest is "Using Virginia's Agricultural Resources to the Best Advantage." There will be county and district elimination contests, in which local banks will provide the prizes. The state association's committee arranging the contest details is headed by Ben V. Booth, Jr., assistant cashier, First National Bank of Danville.

Savings Bankers Will Meet

The National Association of Mutual Savings Banks will meet at the Commodore Hotel in New York City on December 6 for its annual midyear meeting. More than 650 savings banks officers and trustees are expected to attend. The program includes talks by William L. Maude, president of the association and of The Howard Savings Institution, Newark, New Jersey; Roy Wenzlick, well known real estate economist; Richard A. Booth, president, Springfield (Mass.) Institution for Savings; Aubrey G. Lanston, executive



Right, Paul D. Williams, new president of the National Association of Bank Auditors and Comptrollers and vice-president and comptroller, Corn Exchange National Bank and Trust Company, Philadelphia. Left, Bernice D. Parks, president for 1948-49 year of the Association of Bank Women and assistant treasurer and member of the corporation, The Provident Institution for Savings in the Town of Boston

vice-president, The First Boston Corporation, and Dr. Ralph W. Sockman, pastor of Christ Church, New York. A panel discussion on "The Outlook for Savings" will be led by President Maude and participated in by Carl G.

Freese, president, Connecticut Savings Bank, New Haven; J. Reed Morss, president, The Boston Five Cents Savings Bank; Dr. Irvin Bussing, manager, research department, Savings Banks Trust Company, and Dr. William H. Steiner, economist, National Association of Mutual Savings Banks.

At the fall meeting of the Savings Banks' Association of Connecticut are shown, left to right: Carl G. Freese, immediate past president of the association and president, Connecticut Savings Bank, New Haven; Sylvia F. Porter, financial editor of the New York Post, and Harold P. Splain, new president of the association and president, Savings Bank of Danbury



Two-Week Course for Kentucky

The Kentucky Bankers Association has announced a two-week course at the University of Kentucky in 1949. The 1948 course lasted only five days. Ralph Fontaine, executive secretary of the association, states that bankers associations in several other states have been invited to cooperate. At the last session there were, among the 103 students, several from Indiana, Illinois, Missouri, Tennessee, Ohio and West Virginia.

Chicago Bank Women's Anniversary

The Association of Chicago Bank Women celebrated its 25th anniversary recently. President of the organization is Helen E. Burke, assistant cashier of the Lake Shore National Bank.

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Investment Market

(CONTINUED FROM PAGE 51)

discussed in financial quarters where there is real concern about a possible inadequacy of risk capital and the state of the markets generally.

Total state, municipal and other local issues aggregated about \$2.3 billion in the first 10 months, an increase of about \$275 million over the corresponding period of 1947. The volume could not be moved into investors' hands without difficulty and during some periods dealers' inventories were fairly heavy. Expectations are that the volume in the

remaining weeks of the year will also be heavy and will continue to be so during 1949. The voters' preference on Election Day is estimated to have added another \$1 billion of new municipals to the backlog to be marketed in the future.

The general tendency towards higher rates has been particularly noticeable in this field where competition for investor's funds is great and it is likely to continue. In other words, more attractive yields by issuers are the order of the day.

Another interesting aspect in the field of municipals is the question of servicing bonds and their coupons. As operating

costs of all descriptions have risen substantially, the question has become quite acute whether or not the borrowing state and municipality should bear alone the service charges and collection fees of coupons. There has been some thought that part of these expenses should be distributed to bondholders and others.

Where Do Such Charges Belong?

That the owner of the obligation who deposits his securities with the bank for collection of interest and credit or transfer to his account receives some service which is not necessarily routine and therefore gratis, is obvious. It depends, however, on the relationship of the bondholder with the collecting bank, whether or not he is a regular depositor, for example, and how much income is derived from his account. In other words, there can be circumstances where a service charge would appear justifiable. However, the traditional concept remains firmly established in financial quarters that service charges for coupon paying, for the issue as a whole, are to be borne by the borrower.

The government securities market has remained relatively stable, but purchases of bonds by the Federal Reserve banks continue. The re-election of President Truman was generally interpreted to mean that the pegs would remain for some time, but that required reserves of member banks would be raised by another 2 percent some time between now and January.

Secretary Snyder ingratiated himself with the financial community by asking the Committee of Life Insurance Companies to suggest to their members that they undertake voluntary restraint in the sale of government securities and in the extension of loans and investments which are as inflationary as loans made by others.

A Prospect

Hence, there is a good deal of skepticism, in financial quarters, and it is generally held that lip service will be paid to the necessity of inflation control while political pressures will exert themselves in the opposite direction with the net result that the spiral will continue to go up slowly.

In the general pattern, an increase of rates is almost inevitable. The grave question facing the Treasury and the country is whether it can be confined indefinitely to short term securities or whether, sooner or later, long term rates will not have to be adjusted as well and the costs of carrying the huge debt of the government will rise.

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Some Investment Hints from Trust Conferences

Two of the most successful trust conferences in the A. B. A. Trust Division's history were held this Fall in Portland, Oregon, and Chicago. Both the Western Regional and the Mid-Continent conferences exceeded all previous records in attendance and in program interest.

Dorothy McCullough Lee, mayor-elect of Portland, scored an A. B. A. first by extending the city's welcome to the western conference delegates. This was the first time, according to Association old-timers, that a woman mayor had welcomed delegates to a major A. B. A. meeting.

In a speech to the Chicago conference advocating practical measures against regimentation, A. B. A. President Evans Woollen, Jr., said:

"One hears that we can't have in our own country a system of enterprise that is partly free and partly socialized. Well, we have had it for a long while. For instance, a socialized postal service is so permanently established with us that no one even questions it.

"Our task is not to wave our arms and to extol in broad generalizations the advantages of the free enterprise system. We must show where private enterprise must not only serve well but continue to provide greater benefits for society than can be achieved through socialism. There is much to show.

OUR attack should be threefold: (1) If any human enterprise should, by its nature, be in private hands, that enterprise is the extension of credit. (2) Chartered banking has been and is aware of the social responsibilities involved in money lending, and it is fulfilling the need for credit with those responsibilities foremost in mind. (3) Government lending is wasteful, and it confounds government fiscal policy, placing embarrassment upon the government itself in discharging its duties."

A new and popular feature of the Mid-Continent Conference was the appearance on the program of the heads of four major industrial concerns to explain "The Problems and Prospects of Industry." Edward J. Doyle, president, Commonwealth Edison Company, spoke for the electrical industry; John W. Barriger, III, president, Chicago, Indianapolis & Louisville Railway Company, for the railroads; Wilfred Sykes, president, Inland Steel Company, for steel; and Dr. Robert E. Wilson, chairman of the board of Standard Oil Com-

pany of Indiana, for petroleum and chemicals.

Mr. Doyle said the steel industry faced "a construction program which will involve very large amounts of money."

"Interest rates," he asserted, "are still relatively low. Preferred dividend rates are much higher than they were, and utility common stocks can be marketed only on a relatively high yield basis. The need for new capital under present conditions will put utility management to the test.

"But I believe the public utility industry will be successful in financing its construction program without burdening itself with too heavy debt expansion. Some companies have already demonstrated their willingness to pay the price of maintaining a sound capital structure. A few issued securities convertible and subsequently converted into common stock to reduce their senior capitalizations during the refunding era. Many other companies have announced plans for financing their construction budgets in part through the issuance of equity securities. In the recent past, management has appeared to recognize the need to maintain an adequate balance between equity and debt even if the immediate cost is high. Such a course may increase the cost of money, but it will permit the maintenance of the kind of financial balance necessary to support good credit."

Speaking on the problems and prospects of the steel industry, Mr. Sykes estimated that "there still remains more merchantable ore to be mined than has been shipped in the past." He said that "in addition to merchantable ore to meet present-day standards, there

is an enormous amount of low grade material which can be concentrated by known methods which far exceeds all the ore that has been previously discovered. One plant is already in operation, and the construction of other plants will be only a matter of economics."

"The railroad industry," said Mr. Barriger, "has been substantially recapitalized over the past 20 years through the process of voluntary or involuntary reorganization and by open market repurchase of debt. Railway capitalization," he continued, "is in a strong position today in relation to the property investment, traffic and normal earning power. In the case of all except a few companies such unsatisfactory capitalizations as exist are either being recast or are near-term candidates for revision in accordance with the procedure authorized by the recent federal act which embodies Interstate Commerce Commissioner Mahaffie's experience and recommendations.

"The traffic and earnings outlook for the American railways is good. I believe we can confidently look forward to several years of high levels of economic activity."

DR. WILSON said the problem of capital requirements was particularly important in the petroleum industry, which not only had to build up its transportation, refining, and distribution facilities to take care of obsolescence, plus growing demand, but must expend even larger sums to find and develop more than two billion barrels of new crude reserves each year.

"While the capital structure of the petroleum industry is generally quite conservative, many companies do not consider it prudent to increase borrowed capital much beyond the present figures," he asserted. "With current market values of oil stocks far below replacement values, managements do not feel warranted in selling additional stock when many stockholders could not purchase their share of a new issue and would thus have their equity diluted. The shortage of new equity capital, largely due to high personal income taxes and double taxation of dividends, is a serious problem facing all American industry and is a real threat to continued expansion of output, the development of new products, and continued full employment of 600,000 additional workers each year."

"What do you think, chum?"



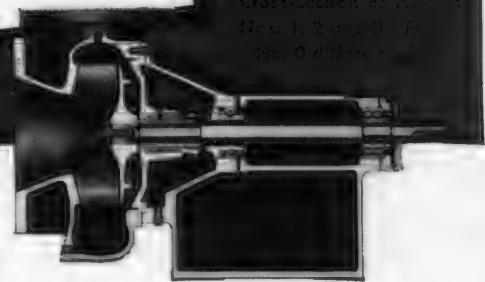


Here's the new addition to the Fairbanks-Morse Pump family . . . the Figure 5520A line of side suction centrifugal pumps. These open impeller, ball bearing pumps offer a new high in performance.

Designed for economical operation at heads up to 80 feet and capacities up to 2500 g.p.m., these new Fairbanks-Morse Pumps range in size from 2" through 8". They are available for either direct drive from motors or engines or from belt drives. Their unusual compactness assures important space-saving advantages with no sacrifice of efficiency or capacity.

Note these important design advantages:

- Open type, single suction impeller, designed for high efficiency at moderate heads.
- Valve of close-grained cast iron with water passages so smooth that friction and back eddies are minimized.
- Deep stuffing box permits proper packing without undue tightening of the gland . . . simple, easy repacking.



- The same proved ball bearing frame construction for smooth operation and long life used in the other side suction pumps of the Fairbanks-Morse family. Bearing nearest impeller takes radial load only and is free to move endwise. Drive-end bearing takes both radial and thrust loads. Both are sealed to keep lubricant in . . . dirt and moisture out.

- One-piece, solid cast frame for long service . . . suitable for heavy duty belted or direct connected drives. Foot of frame forms a substantial base.

For all the facts on this new line of pumps, see your Fairbanks-Morse distributor or branch house pump engineer. Fairbanks, Morse & Co., Chicago 5, Ill.



FAIRBANKS-MORSE

A name worth remembering

Diesel Locomotives • Diesel Engines • Stokers • Scales
 • Motors • Generators • Pumps • Railroad Motor Cars and Standpipes • Farm Equipment • Magnets

BANKING NEWS

Staff Relations With Trust Customers Theme of New A.B.A. Manual

Trust Division Issues Booklet of Suggestions

Practical suggestions for establishing and maintaining a sound customer relations program in trust institutions are emphasized in a new manual, "Staff Relations with Trust Customers," announced in a letter to the membership from H. M. Bardt, president of the A.B.A. Trust Division and vice-president and senior trust officer, Bank of America N.T. & S.A., San Francisco. The manual is available to all members of the Division.

"Trust service is a business of human relations," Mr. Bardt said. "It is not like manufacturing, transportation or construction, each of which involves the use of raw materials and intricate, expensive machinery.

"People are the essential components of personal trust service: the men and women who serve on the staffs of trust institutions, and the men, women, and children who are trust customers. The importance of the effective relationship between these two groups cannot be overestimated.

Basic Factors

"This manual has been prepared to present the basic factors essential to the establishment and maintenance of the friendly and mutually satisfactory relationships that should exist between every trust institution and the people it serves. The material has been drawn from the accumulated experience of many of our most successful trust institutions, and the manual was written by recognized leaders in the field of trust customer relations. It is designed for use as basic study material for trust department staff conferences and classes."

Included in the manual are discussions as to the best methods of handling complaints and dealing with problems that

(CONTINUED ON PAGE 81)

Association's 75th Annual Convention to Be Held in San Francisco, Oct. 30—Nov. 2, 1949

The 75th annual convention of the American Bankers Association takes place in San Francisco, Oct. 30 to Nov. 2, 1949, says an announcement by A.B.A. Secretary Merle E. Selecman.

The invitation to San Francisco was extended on behalf of the city's clearinghouse association by its president, Carl F. Wente, senior vice-president of the Bank of America N.T.

& S.A. Convention city committees will be named early in 1949.

Mr. Selecman said that hotel reservation forms would be sent to the Association's membership about March or April. All applications will be handled by the local hotel committee; none will be accepted by the hotels directly.

The Association last met in San Francisco in 1936.

67 New Members

Sixty-seven banks in 26 states became members of the American Bankers Association during September and October, the Organization Committee reported. It noted that as of November 1, 1948, there were only 368 banks in the United States not members of the A.B.A.

Revised Directory for Consumer Lending Ready

Almost 12,000 banks engaged in consumer instalment lending, as well as the names of the individuals in charge of the various consumer lending departments of these banks, are listed in the 1948 revision of the "Consumer Instalment Lending Directory" compiled and published by the A.B.A. Consumer Credit Committee. The directory was completed during November and is available to subscribers.

A nationwide collection service in which about 8,000 banks have agreed to cooperate in tracing and collecting skip and delinquent instalment loan accounts is included in the directory. This service was inaugurated in 1946. Hundreds of banks have since availed themselves of the reciprocal arrangement, and thousands of dollars of skip and delinquent accounts have been collected.

William F. Kelly, who is vice-president, Pennsylvania Company for Banking and Trusts, Philadelphia, is chairman of the Committee.

360 Banks Now Provide School Savings Service

Record Deposit Volume Is Expected This Year

A marked increase in school savings activity is reported by a committee of the A.B.A. Savings and Mortgage Division, which also announces publication of a revision of a booklet designed to aid banks in providing this service.

A survey by the School Savings Banking Committee shows that the wartime decline in bank-sponsored school savings has been reversed. This year 60 banks have either resumed this activity or have undertaken it for the first time, bringing to 360 the number of depositories.

1,800,000 Savers

Currently school savings bank balances owned by 1,800,000 pupils in 4,000 schools total about \$45 million, and it is expected that by the end of the present academic year the aggregate will have exceeded the \$50 million record established in 1929.

The Division has received several hundred requests for information on installation of systems during the past year, and numerous banks are currently considering the project.

The booklet, "School Savings Banking," offers information on systems, costs, and promotional methods.

The chairman of the School Savings Committee is Rowland

Surveys Business Trend As Credit Policy Guide

A.B.A. Commission Gets Local Data From Banks

About 500 representative banks have been queried by the A.B.A. Credit Policy Commission as to local business conditions which would affect the extension of bank credit.

This is the Commission's fourth semiannual survey of this nature in the past two years.

"The survey gives us an opportunity to mark the trend in various factors affecting credit, detect changes during the last half of 1948, and enables us to get some indication of the effectiveness of the A.B.A. program in selectively extending credit in keeping with the Association's program for curbing inflation," said Kenton R. Cravens, Commission chairman, in announcing the survey. Mr. Cravens is vice-president, Mercantile-Commerce Bank and Trust Company, St. Louis.

A.I.B. Council Meeting in Houston, Jan. 26-29

The midwinter meeting of the Executive Council of the American Institute of Banking will be held in the Rice Hotel, Houston, Tex., Jan. 26-29, 1949, it is announced by Pierre N. Hauser, president of the Institute and vice-president of the First Wisconsin National Bank, Milwaukee.

Houston Chapter, of which E. J. Holm, Union National Bank of Houston, is president, will be official host to the meeting. The Administrative Advisory, Educational Advisory, Finance, Nominating, Program, and Transportation Committees of the Council will meet on Jan. 26, followed by sessions of the Council on Jan. 27, 28, and 29.

R. McElvare, vice-president of the Division, and senior executive vice-president of The Bank for Savings, New York.

Recent A.B.A. Mailings

Here is a partial list of A.B.A. material mailed during November to groups indicated.

ADVERTISING: Christmas and New Year follow-up material, consisting of two folders—"Time Out to Say Thanks" and "A Thank You Note," to all member banks and state secretaries.

AGRICULTURAL PROGRAM: Agricultural Commission's 1949 program for country banks, to official family and agricultural committees, A.B.A.; deans and directors, agricultural colleges; selected agricultural leaders; agricultural committees of state bankers associations; state association presidents and secretaries.

AGRICULTURAL CREDIT: Study "Bank Credit for American Agriculture," based on the Agricultural Commission's annual survey, to A.B.A. agricultural committees, selected agricultural leaders, deans and directors of agricultural colleges, agricultural committees of state bankers association and state secretaries.

CONSUMER CREDIT: Three-page report of delinquency survey figures, forms for reporting next month's figures and self-addressed return envelope, to approximately 200 banks participating in program, Consumer Credit Committee members, small complimentary list, and state secretaries.

CUSTOMER RELATIONS: Revised edition (October 1948) "Conference Guide for a Bank Customer Relations Clinic" with script of slide film, "It's Up to US!" to secretaries.



Part of the audience at Chicago Mid-Continent Trust Conference. (Story on page 78)

Staff Relations with Trust Customer Manual

(CONTINUED FROM PAGE 80)

arise in the administration of trust accounts. The effect of the trust institution's policy and procedure on customer relations, along with the important part played by the individual employee in developing customer relations is also covered.

The appendix provides a brief, comprehensive outline of the functions of a modern trust department.

Instructors' Handbook

To aid trust institutions in

using the manual, the Trust Division has also published an instructors' handbook. This book tells how to organize and conduct staff conference group meetings and makes suggestions on frequency of meetings, choosing of conference participants, assignment of reading material, and subjects for conference discussion.

Both books were prepared by the Division's Committee on Trust Information. Members of this committee are: Harve H. Page, second vice-

president, The Northern Trust Company, Chicago, *chairman*; George D. Cheery, vice-president and trust officer, First National Bank, Jersey City; John William Clegg, Jr., trust officer, The Pennsylvania Company for Banking and Trusts, Philadelphia; Allan Herrick, advertising manager, Security-First National Bank, Los Angeles; Earl S. MacNeill, assistant vice-president, Irving Trust Company, New York; Towner Phelan, vice-president, St. Louis Union Trust Company, St. Louis; and Merle E. Selecman, deputy manager in charge of the Trust Division.

CALENDAR

American Bankers Association

Dec. 13-15 National Credit Conference, Sherman Hotel, Chicago, Ill.
Feb. 7-9 Mid-Winter Trust Conference, Waldorf-Astoria, New York, N. Y.
Mar. 14-15 Annual Savings and Mortgage Conference, Hotel Pennsylvania, New York, N. Y.
Apr. 4-5 Western Savings and Mortgage Conference, Hotel St. Francis, San Francisco, Calif.

State Associations

Dec. 3-4 Southern States Secretaries' Conference, Hollywood Beach Hotel, Hollywood, Fla.
Dec. 7-8 New York, Farm Credit School, Hotel Onondaga, Syracuse
Jan. 24 New York, Mid-Winter Dinner, Hotel Commodore, New York
Jan. 27 Illinois, Mid-Winter Conference and Dinner, Sheraton Hotel, Chicago
Feb. 9-11 Missouri, Bankers Conference, University of Missouri, Columbia

Apr. 9-12 Florida, Columbus and McAllister Hotels, Miami
Apr. 13-15 Georgia, Sheraton Bon Air Hotel, Augusta
May 5-6 Oklahoma, Mayo Hotel, Tulsa
May 9-11 Missouri, Hotel Muehlebach, Kansas City
May 9-10 South Carolina, Ocean Forest Hotel, Myrtle Beach
May 11-12 Indiana, Claypool Hotel, Indianapolis
May 12 Delaware, Wilmington Country Club, Wilmington
May 12-13 Massachusetts, New Ocean House, Swampscott
May 12-14 New Jersey, Hotel Traymore, Atlantic City
May 17-18 Mississippi, Buena Vista Hotel, Biloxi
May 18-20 Kansas, Kansas City, Mo.
May 18-20 Pennsylvania, Hotel Traymore, Atlantic City, N. J.
May 22-24 California, Huntington Hotel, Pasadena
May 23-25 Texas, Texas Hotel, Fort Worth
May 25-26 Ohio, Netherland Plaza Hotel, Cincinnati

Other Organizations

Nov. 29 Financial Public Relations Association, Hollywood Beach Hotel, Hollywood, Florida
Dec. 2 National Association of Mutual Savings Banks, Hotel Statler, Washington, D. C.

Bank Credit in 1949

SEVERAL hundred bankers from all sections of the United States will meet in Chicago, December 13-15, for a look at the business and economic problems that have developed since the banks, nearly a year ago, started their voluntary anti-inflation program.

Held under auspices of the American Bankers Association, the coming National Credit Conference at the Hotel Sherman was called by President Evans Woollen, Jr., so that top management bankers might "arrive at bank credit policies that will fit the needs of the individual community and the bank." It is expected that the bankers' deliberations will be formulated into an activity program for channeling credit into productive uses and for opposing inflationary and speculative lending. A registration of well over 1,000 bankers is anticipated.

Secretary of the Treasury John W. Snyder has been added to the list of speakers published in *BANKING* last month. Mr. Snyder will address the opening conference session on Monday, December 13, at which President Woollen will outline the objectives of the meeting. Factors influencing credit policies will be discussed by Mark A. Brown, executive vice-president of the Harris Trust and Savings Bank, Chicago.

The first afternoon session will provide an unusual opportunity for obtaining a broad survey of credit conditions, prospects and policies for 1949 in the four principal geographical regions of the United States. The outlook for the West will be reported by Reno

Odlin, president of the Puget Sound National Bank of Tacoma, and a member of the Federal Advisory Council. H. Frederick Hagemann, Jr., president of Boston's Rockland-Atlas National Bank, will cover the situation in the East. The spokesman for the South is Fred F. Florence, president of the Republic National Bank, Dallas, while Henry A. Atwood, president of the First National Bank of Minneapolis and a member of the Federal Advisory Council, will report the outlook in the North.

All Loan Groups Covered

The sessions of the second day will be devoted to discussions of the various credit categories, including commercial loans, commodity loans, consumer instalment financing, farm equipment financing, small business instalment loans, and loans to veterans.

The group of speakers on commercial lending includes Lester E. Shippee, executive vice-president, Hartford-Connecticut Trust Company; Walter Rehfeld, vice-president, Mercantile-Commerce Bank & Trust Company, St. Louis; Walter L. Webb, vice-president, Wachovia Bank & Trust Company, Winston-Salem. Joseph M. Dodge, president of The Detroit Bank and immediate past president of the American Bankers Association, will speak on a selective credit policy.

Branches of instalment lending will be discussed by Thomas C. Boushall, president, Bank of Virginia, Richmond; Richard W. Trefz, president, Beatrice (Nebraska) State Bank; and Carl M.

Flora, vice-president, First Wisconsin National Bank, Milwaukee. Robert C. Downie, president, Peoples First National Bank and Trust Company, Pittsburgh, will cover loans to veterans.

Real estate lending problems are to be analyzed by William A. Marcus, senior vice-president, American Trust Company, San Francisco, and Robert M. Morgan, vice-president, Boston Five Cents Savings Bank.

C. W. Bailey, president of the First National Bank of Clarksville, Tennessee, and former president of the Association, speaks on a credit policy for agricultural loans.

As previously reported, others on the three-day program include A.B.A. past presidents W. Randolph Burgess, chairman of the executive committee, National City Bank of New York, and a Federal Advisory Council member; Robert M. Hanes, president, Wachovia Bank and Trust Company; and Frank C. Rathje, president, Chicago City Bank and Trust Company; also, Dr. Willard E. Atkins, chairman of the economics department, Washington Square College, New York University; Kenton R. Cravens, vice-president, Mercantile-Commerce Bank & Trust Company, and chairman of the A.B.A. Credit Policy Commission; F. Raymond Peterson, chairman, First National Bank & Trust Company, Paterson, New Jersey, and vice-president of the Association; and William F. Kelly, vice-president, Pennsylvania Company for Banking and Trusts, Philadelphia, and chairman of the Association's Consumer Credit Committee.



R. R. B. & E. W.

CREDIT CONFERENCE SPEAKERS

Secretary of the Treasury John W. Snyder, left, and Frank C. Rathje, president of the Chicago City Bank and Trust Company and former president of the American Bankers Association



BANKING

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Consider the dangers of a daylight fire



Imagine a flash fire in your bank during banking hours. Your ledgers open . . . checks exposed . . . all your records out of the vault! Can you conscientiously expect your employees to rush them to safety?

That's why so many banks have installed Mosler Bookkeeping Safes. Not only are they more convenient to use, but they protect your irreplaceable records right on the spot.

Mosler's ledger card and check file for 24-hour fire protection

These twin bookkeeping safes were specially designed by Mosler for Machine-posted bank records. The left-hand receding-door safe houses two trays—one for ledger sheets, one for statements. A utility drawer beneath holds signature cards or other records. The right-hand safe has four drawers, each housing three removable trays for cancelled checks after posting. The operator never has to leave her machine!

Most important of all, it takes only seconds to close the doors when fire strikes . . . completely protecting the contents. For your bank's protection—and for greater operating efficiency—write or phone your nearest Mosler office today for our special booklet on Bookkeeping Safes. There's no obligation, of course.



Tested and certified by the independent Underwriters' Laboratories, Inc., these safes are awarded their "B" label for two hour fire resistance including 30-foot drop or impact test.

The **Mosler Safe Co.**

Main office: 320 Fifth Avenue, New York 1, N. Y.

Factories: Hamilton, O.
Largest Builders of Safes and Vaults in the World

Sound Control

(CONTINUED FROM PAGE 49)

workers in factories shown by the Colgate survey is matched by banking reports regarding people who operate bookkeeping and other type business machines. A Philadelphia banker says, after installing an acoustical ceiling, "we no longer have distracting noise in our machine rooms. The result is fewer errors and greater efficiency."

There are several types of acoustical materials available. One of the most satisfactory is said to be the perforated metal ceiling unit containing a rock wool pad. Sounds are trapped by the perforations and smothered by the absorbent rock wool. The metal has a baked enamel finish which may be washed repeatedly without injury. It may be painted and repainted without loss of sound absorbing efficiency. It also has a high co-efficient of light reflection.

These units may be applied directly to the ceiling surface or hung to form a suspended ceiling. In either case the units are snapped into tee bars. This method of application also permits a part of the ceiling to be taken down and relocated without loss of materials.

ANOTHER type of sound control treatment widely used by banks is a perforated facing backed by rock wool pads or other absorbent material. Some types are fireproof and immune to conditions that might cause deteriorations. Stone-like in appearance, certain acoustic materials harmonize admirably with other structural materials frequently used in banking rooms.

Where budget restrictions are a major consideration, acoustical units composed of drilled fiberboard may be used in many locations. These fiberboard units have an exceptionally high factor of sound absorption and may be painted and repainted without interfering with their acoustical effectiveness.

For one thing, the use of drilled fiberboard panels does not require any structural changes in existing rooms or buildings. They may either be cemented to plaster, concrete or plaster board ceilings, or nailed to wood furring. The drilled holes which are scientifically designed, extend into the fiberboard units to increase the absorbing effectiveness of the material. Sound waves, as they strike the units, enter the holes where the sound energy is dissipated.

With all of these acoustical materials "dry construction" methods are used. Application is speedy and the inconvenience of dust and dampness is eliminated.

The Balance Sheet Aspect

The widespread activity in modernization and new construction of bank premises reported by BANKING in continuing surveys on the subject has withal a reasonable relation to the balance sheet.

Statistics compiled for BANKING by the Federal Deposit Insurance Corporation indicate that the combined value of building, equipment and fixtures, as reported to FDIC for all insured commercial banks, dropped to a low of \$899 million on June 1946, from \$1,067 million on June 30, 1941. As of June 30, 1948, the value of total plant, equipment and fixtures had risen to only \$967 million.

"There is no evidence that insured commercial banks have spent excessive amounts for premises, furniture or fixtures since the end of the war," FDIC stated. "The value of bank premises carried on the books of banks declined steadily from the middle of 1941 to the middle of 1947. In the last year this item has shown a moderate increase." However, FDIC added, since the end of 1945, the value of furniture and fixtures, apart from bank premises, was nearly double the end of 1945.

As to bank premises, they are relatively much lower than prewar, since the aggregate of premises, furniture and fixtures is "still below prewar relationship to either total assets or to total capital accounts," FDIC observed.

"With these foregoing figures in mind, bankers should be congratulated on their practical approach to this situation," said FDIC Chairman Maple T. Harl. As yet there is no evidence, he indicated, that banks are plunging in their expenditures on premises and equipment. Being neither critical of banks which have expended money on the physical plant, nor intending to suggest any arbitrary rules in the matter, Mr. Harl simply cautions the use of the old investment adage: *Stop, look, and listen.*

nated. Once in place any of these units are ready for immediate use, since they are all decorative in their own design.

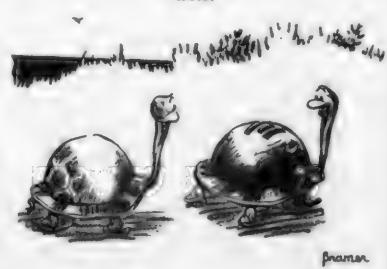
This is a real advantage of any job but of special value in remodeling, where ceilings may be cracked or otherwise disfigured. In such rooms it is possible to redecorate and remove noise in one simple operation.

Hundreds of photographs submitted to our traveling exhibit of new and remodeled banking quarters show adaptation of these advantages. Numerous small banks investing modest sums in redecoration have taken advantage of modern acoustic materials to refinish ceilings and deaden sound. There are also numerous cases of bank quarters which have built false ceilings with acoustic treatment to improve appearance and quiet sound, and there are others which like the case history discussed this month have added second floors in areas formerly wasted by high vaulted ceilings which serve no practical purpose.

While our editorial comment on these subjects is not in any way intended to influence expenditures for any type of product, we are inclined to take the view expressed by Charles N. Batcheler,

executive vice-president of the Dartmouth National Bank of Hanover, New Hampshire, who recently discussed modern methods and machines in bank operations. It was his thesis that banks in his Federal Reserve district, according to reports, spent 40 cents of every income dollar on wages and salaries, and only one and a half cents for furniture, fixtures and equipment. If, says he, efficiency and productivity can be stimulated with small, low-cost improvements, then such investments are bound to benefit the value of a bank's largest cost item. And we feel obliged to add that work conditions generally are one of banking's strongest assets in developing sound customer and employee relations.

"Nickels, dimes and quarters, you dumb-bell!"



PALMER

WHY SMART, DISTINCTIVE STORE PROPERTIES

*bring in bigger revenue
...hold worthwhile tenants longer*



J AFTER



BEFORE

WHEN YOU MODERNIZE your store properties like this, you will literally have tenants fighting for long-term leases. And, when you allow loans to individual merchants for such work, you have the soundest loan risks possible.

EVEN with today's scarcity of available stores, progressive merchants want a place that is modern, attractive . . . that stands out in the community. They realize that modernization means more customers, greater sales, higher profits. And when store properties handled by your bank are remodeled to give retailers these advantages, you can be sure that you will have tenants clamoring for them. The result is more revenue for your bank—long-term leases held by worthwhile merchants. The banks that have modernized their store properties with Pittsburgh Glass and Pittco Store Front Metal have proved this to their profit.

Then, too, there are scores of retailers in your community who, spurred on by our consistent advertising in twenty-three leading retail magazines, are anxious to modernize their stores. Most of these merchants require cash to carry out their programs. And this represents an additional opportunity for your bank to make loans on a sound basis.

We believe you will be interested in receiving a copy of our new book, showing how Pittsburgh Glass and Pittco Store Front Metal have been utilized to bring greater "eye-appeal" and profit-pull to countless businesses. Why not fill in and return the coupon, now?

"PITTSBURGH" STORE FRONTS AND INTERIORS



PAINTS • GLASS • CHEMICALS • BRUSHES • PLASTICS

PITTSBURGH PLATE GLASS COMPANY

Pittsburgh Plate Glass Company
2334-8 Grant Building, Pittsburgh 19, Pa.
Without obligation on our part, please send
us a FREE copy of your brochure, "Modern
Ways for Modern Days."

Name _____

Address _____

City _____ State _____

HEARD ALONG MAIN STREET

Pitcher Learns Banking

BETWEEN seasons in the National League, Pitcher BOB CHESNES, the sensational rookie who won 14 and lost six games for the Pirates this year, plans to be in the staff lineup at The Colonial Trust Company, Pittsburgh.

CHESNES is in the bank's business development department, with the intention of learning a profession he can follow when his ball-playing days are over.

C. A. MCCLINTOCK, Colonial's president, who did some pitching himself in his younger days at Kiski Prep, says CHESNES will work in every department so that he can learn banking from the bottom up. During the past Summer, when he was the fans' idol because of his work for the Pirates, CHESNES got acquainted with members of the bank's staff who suggested his extra-curricular career.

Paterson Consolidation

THE First Paterson (New Jersey) National Bank and Trust Company, which was headed by A.B.A. Vice-president F. RAYMOND PETERSON, and the Second National Bank of Paterson have been consolidated as the First National Bank and Trust Company.

Mr. PETERSON, who was board chairman and chief executive officer of the First, holds the same positions in the new bank. LOUIS F. SAILER, chairman of the Second National, is vice-chairman, and BENJAMIN P. RIAL, formerly president of the First, occupies the presidency.

Mr. PETERSON, elected to his post in the Association at the 1948 convention in Detroit, has a wide banking experience, including service as a national bank examiner. Mr. SAILER, an ex-president of the Commercial National Bank of Paterson, is a former officer of the Federal Reserve Bank of New York.



Pitcher Bob Chesnes of the Pirates gets a few pointers on banking from his new boss, President C. A. McClintock of the Colonial Trust Company, Pittsburgh

Mr. RIAL, with the Paterson National Bank when it was consolidated with the First in 1946, was nine years executive vice-president of the Westchester County National Bank of Peekskill, New York. He also has been a national bank examiner.

Other officers of the First National Bank and Trust Company include: Senior vice-president, ERNEST E. BLAUVELT, formerly president of the Second National; vice-president and cashier, CHARLES A. TSCHOPP; vice-presidents, JOHN T. DEIGHTON, ANDREW DERITTER, LEO W. EIRICH, STEPHEN D. GERMOND, FRED LABAUGH, CONRAD C. LEGARE, WILLIAM LIVESEY, and FELIX G. PITTEL.

Fort Worth Bank Wins Ad Honor

THE Fort Worth National Bank has received the Socrates High Award of the Year, given by *Bank Ad-Views*, a

New York publication, in an annual competition for advertising programs of several hundred banks in the United States and Canada.

The bank was commended for its "consistently effective newspaper advertising" and special recognition was paid its advertising representatives, REED SASS, assistant cashier in charge of advertising, and ARNOLD L. STEPHENS of its advertising department.

A commentary on the award by the judges said: "The Fort Worth National Bank recently celebrated its 75th anniversary. The bank has experienced years of banking success since the days when horse-drawn trolley cars and railway locomotives were making their debuts in Fort Worth. High pressure selling proposals have always been absent from its copy. The drama of everyday living is its background, combined with a keen common knowledge of the importance of progress in relation to the individual citizen."

The Socrates Award is made on a point basis, the points being won on "best advertisements" of the banks. Fort Worth National's winning program, which ended October 1, included a series on "Fort Worth Since 1873," based on events in the city's life.

A Secretary's Question Is Answered

A FEW years ago Miss KATHERINE C. LACAILLE, secretary to ROBERT L. (CONTINUED ON PAGE 88)

A. L. Stephens



Reed Sass



BANKING

Use the



in Chicago

AS YOUR BANK

You are cordially invited to use The First National Bank of Chicago as your correspondent. To serve you, and to insure prompt attention in all correspondent bank relationships, there is an experienced group of officers which devotes its entire time to this work.

EDWARD E. BROWN, Chairman	
JAMES B. FORGAN	BENTLEY G. MCLOUD
Vice-Chairman	President

BANK AND BANKERS DIVISION OFFICERS

JOHN J. ANTON	Vice-President
THOMAS J. NUGENT	Vice-President
HAROLD W. LEWIS	Vice-President
MELVIN H. THIES	Asst. Vice-President
VERNE L. BARTLING	Asst. Vice-President
CHARLES F. NEWHALL	Assistant Cashier
EDWARD DECKER	Assistant Cashier
VICTOR C. VON MEDING	Assistant Cashier

The First National Bank of Chicago

Building with Chicago and the Nation Since 1863

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

(CONTINUED FROM PAGE 86)

DOMINICK, president of the Traders Gate City National Bank at Kansas City, Missouri, asked her boss if he thought she'd be a stenographer all her life.

Mr. DOMINICK hadn't thought much about it, and he answered by asking a question himself: "What would you like to be?" He suggested that she make up her mind; in his opinion Miss LACAILLE was the sort of person who could reach just about any goal she aimed at.

"About two months later," he recalls, "we decided to make FHA loans. Nobody in the bank knew anything



Miss LaCaille



James Sartor

about them, so I called Miss LACAILLE over and told her that she was not going to be a stenographer all her life. She was now the FHA loan department."

KATHERINE LACAILLE didn't know much about real estate, but she knew

how to learn. She started an intensive study course—one of several she's taken since joining the bank staff as a stenographer in 1928—and became expert in FHA regulations. President DOMINICK believes that today "she knows more about FHA loans than any other person in Kansas City."

Today, also, there's a new bronze plate on a desk at the Traders Gate City. It reads: "Miss LACAILLE, Assistant Cashier."

The promotion that made her the first woman officer in the bank's 48-year history came at a directors' meeting this Fall.

Miss LACAILLE was born on a Kansas farm, taught school in the Kickapoo community, then moved to Kansas City and into banking. Ten years ago she became Mr. DOMINICK's secretary. And now knows, very definitely, that her future is not stenography.

Sartor Promoted

JAMES SARTOR, who has been executive vice-president of the Citizens & Southern National Bank in Augusta, Georgia, is now first vice-president of the bank, a new position. He came to the main office in Atlanta on December 1 to work with President MILLS B. LANE, JR., in the administrative direction of the C. & S. in its six-city operations.

Mr. SARTOR began as a bookkeeper in Atlanta 27 years ago and has had a wide experience throughout the bank's organization. In Augusta his successor is PIERCE G. BLITCH, formerly president of the Citizens & Southern Bank of La Grange, Georgia.

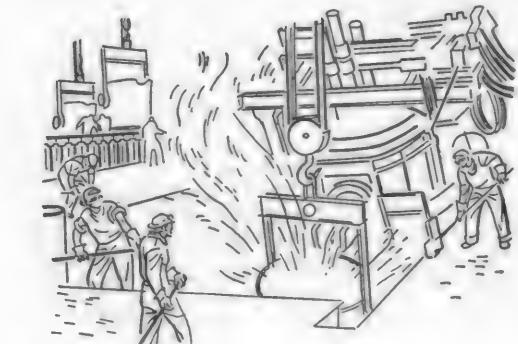
Gates Joins Title Guarantee

WITH the integration of Lawyers Title Corporation of New York into the title division of Title Guarantee & Trust Company, ARTEMUS L. GATES, well-known banker, becomes chairman of the latter's title insurance advisory committee.

Mr. GATES was president of the New York Trust Company when, September 1941, he resigned to become Assistant Secretary of the Navy for Aeronautics. He was later Navy Under Secretary.

Herman Berniker

A. L. Gates



When you think of Pittsburgh, Think of Peoples First

Pittsburgh's industrial leadership is fortified by its abundant supplies of raw materials and basic energy. The abandonment of the basing point system of pricing steel presents additional important advantages to fabricators and is increasing the migration of lighter manufacturing to Pittsburgh. Peoples First National, with its 14 completely staffed offices, is in excellent position to keep its Correspondents advised on developments in this area. Your inquiries are invited.

PEOPLES FIRST NATIONAL BANK & TRUST COMPANY

Pittsburgh 30, Pa.



MEMBER F.D.I.C.

Title Guarantee has purchased the capital stock of Lawyers from Kuhn, Loeb & Company and C.I.T. Financial Corporation, HERMAN BERNIKER, executive vice-president of Lawyers, has been elected a vice-president of Title Guarantee and heads its title insurance division. CHARLES F. NOYES, prominent New York City real estate man, is a newly elected trustee of the company.

Detroit Merger

MERGER of Bankers Trust Company and Equitable Trust Company, both of Detroit, under the name Bankers-Equitable Trust Company, was scheduled to become effective November 30.

OTTO G. WISMER, president of Bankers Trust, has been named chairman and chief executive officer of the consolidated bank, while the president is to be OLIVER D. MARCKS, president of Equitable. The executive vice-president is JOHN C. COOK, formerly assistant to the president of Bankers Trust.

Other officers are: RALPH NIXON, senior vice-president; NELSON F. ADAMS, vice-president and trust officer; WILBUR J. DANAHER, secretary; OLIN H. WYMAN, treasurer; ALLEN CRAWFORD, WILLIAM F. CROOKE, ANDREW F. DOWD, HUGH LINDEMANN, HARRY A. MILLARD and JOHN W. SANDERS, vice-presidents.

"The Bankers"

THAT'S the title of a *Fortune* magazine November article which says that although the American commercial bankers "no longer control the commodity they deal in," the banks and bankers "still exert an important influence on the course of trade."

"Bankers," asserts *Fortune*, "rarely get rich quick now, and they acquire practically no power or glory. Why does a man want to be a banker? . . . Because he enjoys being on the inside of business."

The article reviews changes in banking during and since the depression, introduces numerous well-known bankers, pictures 26 of them, and points up current banking problems.

"The quasi-civil-service nature of a banking career," it says, "is emphasized by the efforts that the banks make to educate promising personnel. Admission to the banker-sponsored Graduate School of Banking at Rutgers is as eagerly sought by promising young bankers as is appointment to the National War College at Washington by rising staff officers."

Observing that "all this is to the good," the article goes on to say that the bankers "might well ask themselves whether their own overemphasis upon security may not be costing them many a promising recruit."

Photographs of these bankers illustrate the text: WILLIAM W. CAMPBELL, president, National Bank of Eastern Arkansas, Forrest City; WALTER R. BIMSON, president, Valley National Bank, Phoenix; RENO ODLIN, president, Puget Sound National, Tacoma; EVANS WOOLLEN, JR., chairman, Fletcher Trust Company, Indianapolis, and A.B.A. president; WILLIAM W. CROCKER, president, Crocker First Na-

tional, San Francisco; ROBERT M. HANES, president, Wachovia Bank and Trust Company, Winston-Salem; TOM K. SMITH, chairman, Boatmen's National, St. Louis; WILLIAM F. KURTZ, president, Pennsylvania Company for Banking and Trusts, Philadelphia; JOSEPH M. DODGE, president, Detroit Bank; ROBERT L. THORNTON, chairman, Mercantile National, Dallas; WINTHROP W. ALDRICH, chairman, Chase National, New York; W. RANDOLPH BURGESS, chairman, executive committee, National City Bank of New York; EDWARD E. BROWN, chairman, First National, Chicago; FRED F. FLORENCE, president, Republic National, Dallas;

New England Beacon



CAPITAL
\$10,000,000
SURPLUS
\$20,000,000

Seafarers have long relied on Boston Light to guide them into Boston Harbor. When you need a guide to New England banking conditions, this institution offers the experience and enthusiasm you require to handle your banking problems. You can rely on Shawmut for effective action.

"Outstanding Strength" for 112 Years

The National
Shawmut Bank

40 Water Street, Boston

Member Federal Deposit Insurance Corporation



When There's Something You Want Done in KANSAS CITY . . . Call on Commerce

A thorough knowledge of present day business conditions in Kansas City and its trade territory . . . PLUS widespread connections with local industry and business . . . places the Commerce Trust in a preferred position to serve correspondent banks to their individual advantage.

This important factor is enhanced by the fact that all the details are engineered for prompt, dependable action by men with intimate knowledge and experience. More than 1,300 correspondent banks located in 42 states attest to the fact that we do the jobs given to us.

Commerce Trust Company

KANSAS CITY'S LARGEST BANK

Established 1865 . . . Member Federal Deposit Insurance Corporation

Capital Funds Exceed 21 Million Dollars

JAMES M. KEMPER, chairman, Commerce Trust, Kansas City, Missouri; B. K. PATTERSON, president, St. Joseph Bank and Trust Company, South Bend; GEORGE WHITNEY, president, J. P. Morgan & Company, New York; ROBERT V. FLEMING, chairman and president, Riggs National, Washington, D. C.; RICHARD MELLON, chairman, Mellon National, Pittsburgh; SIDNEY B. CONGDON, president, National City, Cleveland; HENRY ATWOOD, president, First National, Minneapolis; JOHN A. SIBLEY, chairman, Trust Company of Georgia, Atlanta; A. P. GIANNINI, founder chairman, Bank of America; CHARLES E. SPENCER, JR., chairman,

First National, Boston; ALEXANDER C. NAGLE, president, First National, New York; and FREDERIC A. POTTS, president, Philadelphia National.

Herbert M. Chamberlain

HERBERT M. CHAMBERLAIN, retired officer and a director of the Walker Bank & Trust Company, Salt Lake City, died October 2 at the age of 70. He was president of the State Bank Division, American Bankers Association in 1936-37; president of the Utah Bankers Association in 1931-32; and a member of the State Depository Board from the time of its organization.

Mr. CHAMBERLAIN started his banking career as a messenger for the Walker at the age of 19 and when he retired in January 1948 was its executive vice-president.

Led by Grand Master FRANK M. TOTTEN, vice-president of the Chase National Bank, 100 Greater New York Masons recently donated blood at the Red Cross Blood Center in Manhattan. Mr. TOTTEN said that approximately 5,000 Masons would participate in a year-round program which has 1,000 pints of blood as its fall goal. Mayor O'Dwyer officially congratulated the banker on the Masons' project.



The expansion and development of business is adding greater responsibility to Kansas Banking. Informed service and capable supervision of financial paper are commodities in daily demand at the Fourth National Bank in Wichita.

Industry is reaching into foreign markets, agriculture is expanding to global proportions and management is seeking advice on the new complications of world commerce. Bankers are faced with problems that were of little concern in this vicinity a few years ago. It is a pleasure to offer our experience in these matters to our banking friends and their patrons.

Feel free to call on us at any time. Our facilities are at your command.

THE FOURTH NATIONAL BANK IN WICHITA

Douglas at Market
MEMBER FEDERAL DEPOSIT



Wichita 2, Kansas
INSURANCE CORPORATION

"How I Got the Business in Government" is the title of an article in *Collier's* for November 6 by A. L. M. WIGGINS, former president of the American Bankers Association. Based on his experiences as Under Secretary of the Treasury, the article's gist is that economy in government is popular in theory but quite unpopular when applied to specific situations—jobs, for instance.

R. L. Polk & Company of Detroit, publisher of Polk's Bankers Encyclopedia, has established a permanent office in Nashville, Tennessee, which will be the headquarters for the company's bankers division. S. J. MOORE, sales manager of that division for the past six years, has been made a vice-president and is in the new Nashville office. He joined the organization in 1936 as a salesman.

H. DOUGLAS DAVIS, formerly executive vice-president of the Plainfield (New Jersey) Trust Company, is now president, succeeding Dewitt Hubbell who has resigned but continues as a director. Mr. DAVIS, who has been active in A.B.A. affairs, recently completed a three-year term as a member of the Executive Council. He was state chairman of the Association's Federal Legislative Council last year, and previously held several positions in the Trust Division, including membership on its executive committee.

(CONTINUED ON PAGE 92)

H. D. Davis



S. J. Moore



A Bank Is Known...

..... by its initiative in
helping correspondent banks when
unusual situations arise.



**CENTRAL HANOVER
BANK AND TRUST COMPANY
NEW YORK**

Member Federal Deposit Insurance Corporation

(CONTINUED FROM PAGE 90)

Bank of Montreal has appointed **WILLIAM H. RAMSAY**, assistant manager of the foreign department, to the new position of special representative in the bank's San Francisco office.

JOHN M. BUDD, president of the Chicago and Eastern Illinois Railroad, has been elected a director of the Chicago National Bank.

Among seven new members of the Research and Policy Committee of the Committee for Economic Development is **S. SLOAN COLT**, president of Bankers Trust Company, New York.



W. H. Ramsay



J. M. Budd



B. M. Backus



A. N. Gentes

RALPH F. BURKARD, treasurer of First National Stores, Inc., is now a director of State Street Trust Company, Boston.

BEN M. BACKUS, until recently review examiner in the Madison, Wisconsin, district office of FDIC, has joined the staff of the Marine National Exchange Bank of Milwaukee. He is in the bank's state division.

sin, district office of FDIC, has joined

the staff of the Marine National Exchange Bank of Milwaukee. He is in the

bank's state division.

Guaranty Trust Company announces the elections of **ALEXANDER N. GENTES** as a vice-president and **JOHN R. DOTY** as an assistant secretary. Mr. GENTES has been in the bank's foreign department since 1924. He has written extensively on foreign banking subjects, and is regarded as an authority on import and export procedures. Mr. DOTY is in the same department.

When Governor Earle Clements of Kentucky set up a state board to develop and publicize the state's resources, he appointed as chairman **EARL R. MUIR**, president of The Louisville Trust Company. Mr. MUIR, long active in public affairs in Kentucky, was the first president of the state's chamber of commerce. In the American Bankers Association he was chairman of the Resolutions Committee at the 1948 convention. Also, he is a member of the Small Business Credit Commission, the Credit Policy Commission, and Kentucky chairman of the Treasury Savings Bonds Committee.

FRED PETERS, formerly Director of Banking for Nebraska, has been elected an assistant vice-president of The United States Bank of Omaha. He is in the correspondent bank division of which **AUSTIN L. VICKERY**, a newly appointed vice-president, is in charge.

MARSHALL S. CLOYD, advertising and public relations director at the First National Bank in Dallas, has been appointed to a vice-presidency. **FARRIS CAMPBELL, JR.**, is a new assistant vice-president in the new business department.

Fred Peters

M. S. Cloyd



BANKING

CO-OPERATION

Let us handle your financial requirements in Cleveland and the Great Lakes Area . . . quickly and safely. Our experience, resulting from more than 58 years of close association with the diversified commerce and industry of this region, is available to assist you in appraising your problems accurately and promptly. Write for information. Phone or wire for immediate action.

First National Bank
of Cleveland

CLEVELAND 1, OHIO

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Stockholders' Party

THE invitations, signed by FRANK P. POWERS, president of the Kanabec State Bank of Mora, Minnesota, said:

"Arrangements have been completed for the annual banquet to be given Thursday evening, October 21, at the Mora Creamery Auditorium commencing promptly at 7 P.M., for the stockholders and employees of the Bank and for the officers, directors and operators of the Creameries located in this vicinity. We cordially invite you to be our guest that evening."

"We are extremely fortunate in having been able to secure Colonel E. B. Miller, the hero of Bataan, for guest speaker. . . .

"As usual, the wives are also included in this invitation."

The guests at this 12th annual party included not only the bank and creamery people, but also the officers and directors of the Ogilvie State Bank, the Mora School faculty, and numerous bankers from Minneapolis—a total of 226 persons.

After dinner there was an entertainment program and a short talk by President Powers who told of the bank's growth and services and introduced the members of his staff. Colonel Miller's address advocated preparedness and universal military training.

Mr. POWERS is in his second term as treasurer of the American Bankers Association.

Lincoln Savings Bank of Brooklyn has added to its staff as executive vice-president JOHN W. HOOPER, formerly vice-president in charge of finance of American Machine & Foundry Company. A trustee of the bank for five years, Mr. HOOPER will remain as chairman of the company's finance committee.

PHILIP LIVINGSTON, vice-president and secretary of the Security Trust Company, Miami, has been appointed trust officer. Formerly with the Central Hanover Bank and Trust Company of New York, he is a descendant of Philip Livingston, signer of the Declaration of Independence.

Philip Livingston



J. W. Hooper



"A Lot of Fun"

IF you're passing the Bank of Quitman in Quitman, Georgia, on a Saturday morning, like as not you'll see 93-year-old SAMUEL STEVENS ROUNTREE in the doorway handing shiny dimes to kids. That's one of his favorite pastimes.

On other days you'll probably find Mr. ROUNTREE, chairman of the bank, attending to its business inside, for he's still an active banker. He's been head of the board since 1946 when he retired from the presidency, a position he had held since 1917. His service to the bank goes back to 1888, the year it was founded. He was then vice-president.

Mr. ROUNTREE came to Quitman at the age of 10. His business career includes the organization of a grocery company which subsequently extended over the South; he has also been president of the Quitman Mills, a director of the Citizens Bank of Americus, Georgia, and president of the South Georgia Railroad. He has set up several philanthropic funds to provide medical care for worthy people.

"All the years have been a lot of fun," says this nonagenarian banker. "And, by golly, life is *still* a lot of fun!"

FREDERICK W. YORK, vice-president of the Phenix National Bank of Providence, Rhode Island, has retired after more than 46 years on the staff.

EDMUND P. LIVINGSTON, vice-president and secretary, Union Dime Savings Bank, New York, has been elected treasurer of the New York Better Business Bureau.

SYDNEY G. STEVENS, formerly an assistant vice-president of The Bank of Manhattan Company, New York, has been elected executive vice-president of the Trenton (New Jersey) Banking Company.

JOHN R. CHRISTIE, for the past five years junior vice-president in charge of advertising and public relations at Citizens National Trust & Savings Bank, Los Angeles, has resigned to become vice-president of Buchanan and Company, Inc., national advertising agency.

J. R. Christie



S. G. Stevens



F. H. Haggerson



J. H. Simmen

FRED H. HAGGERSON, president of Union Carbide and Carbon Corporation, is a new trustee of Central Hanover Bank and Trust Company, New York City.

United States Trust Company of New York has made H. JOHN SIMMEN vice-president in charge of banking operations.

CLARENCE W. GROTH has been appointed assistant vice-president of the Federal Reserve Bank of Minneapolis, assigned to the Helena branch. CLINTON J. LARSON, assistant cashier at the branch, has resigned to become president of the Conrad National Bank, Kalispell, Montana.

VAL H. MURRELL, who has been president of both the Commercial National Bank and the Continental-American Bank & Trust Company of Shreveport, Louisiana, has resigned the presidency of the former and assumed the duties of full-time president of the Continental-American. Mr. MURRELL's successor at the Commercial National where he had been president 16 years, will be named later.

Recently elected vice-presidents of the New York Trust Company are: JOHN E. COOKMAN, in charge of business in some middle western states; GRANGER COSTIKYAN, in charge of the credit and investment research department; J. PAUL CRAWFORD, formerly a vice-president of the First National Bank of Philadelphia, who will have charge of business in New Jersey and parts of Pennsylvania; THOMAS HILDT, JR., southeastern seaboard states; and HENRY J. GERTCHER, JR., who will head the corporate trust division.

WILLIAM S. PATTON, 40 years a Houston banker, has retired as vice-president and trust officer of the South Texas Commercial National Bank.

THOMAS W. SMITH has retired as a vice-president of The First National Bank of Philadelphia after nearly half a century in banking. He started with the old Merchants National Bank.

Methods and Ideas

(CONTINUED FROM PAGE 41)

dren, gifts for the needy, etc. It also contained a brief general survey (there wasn't space for elaboration) of the music, decorations, staff celebrations and other festivities with which banks mark the holiday.

After the November issue had gone to press we received several other letters that reported out-of-the-ordinary ways of celebrating the holiday. For instance:

The FIRST NATIONAL BANK in Palm Beach gives a party to which each member of the staff brings a toy as a gift to another staffer. Later the presents are turned over to the Salvation Army and other charitable organizations for distribution to local children.

For several years there's been a Christmas music program in the lobby of THE FARMERS DEPOSIT NATIONAL BANK of Pittsburgh by choral groups sponsored by companies that are customers of the bank.

The symphonic choir of the First Presbyterian Church, St. Petersburg, Florida, comes to that city's FIRST NATIONAL BANK on an evening before Christmas and sings a carol program. The lobby is, of course, crowded, but amplifiers bring the music to the thousands who can't get in to enjoy the concert as they sit on the benches along the main streets in the down-town area. The program is also broadcast over a local station.

NORTHWESTERN NATIONAL BANK of Minneapolis, in addition to holiday music by its staff chorus, adds a special touch in the Christmas cards mailed by the officers and directors. The cards feature color paintings of the bank building, done by Clarence R. Chaney, vice-chairman of the board and a noted artist. Sorry, but we're not equipped to



OFFERS BUILDINGS TO INDUSTRIES

BANKS PROMOTE INDUSTRIAL DEVELOPMENT

OFFERS BUILDINGS TO INDUSTRIES

FIRST NATIONAL BANK OF AKRON, Ohio, has an unusual promotion plan for bringing industries to the city. By arrangement with a large insurance company, it offers a program whereby it will finance, pay for and erect a building to the individual specifications of a business, without impairment of the newcomer's working capital.

"This building you would occupy under a long term lease," it tells prospects, "with several renewal options on very favorable terms. Under this arrangement your company may have a home in Akron which is fully representative of the wide prestige enjoyed by your product or service. Rents being deductible as an expense on income tax returns, this program has obvious advantages over tenant ownership. First National, as one of its plus services, will be pleased to present details of this building plan at your convenience."

The plan is outlined in a booklet that also contains facts about Akron. It will be presented personally to top executives of selected companies, First National President E. S. Patterson tells BANKING. It is further personalized by imprinting the recipient's name and company on the cover.

reproduce one of Mr. Chaney's attractive pictures.

The FRANKLIN SQUARE (New York) NATIONAL BANK has an elaborate Christmas program. This year's decorations will transform the bank into a "Winter Wonderland" featuring large "snow princesses suspended from the lobby ceiling. There'll also be a throne for Santa Claus, where he'll hear the children's Christmas wants; revolving front window floats that tell the "Nutcracker Suite" story; a diorama of the

"LOOK TO HOUSTON"

THE SOUTH TEXAS COMMERCIAL NATIONAL BANK of Houston is inviting more than 5,000 executives of American business to "look to Houston for unlimited industrial opportunity."

A 24-page two-color brochure describing the industrial growth of the city and outlining its advantages to business and industry has been published by the bank and is being sent to firms throughout the country.

"South Texas Bank," says President Harris McAshan in a message to the executives, "believes in the future of Houston. It believes, too, that while the area has made substantial industrial progress, its period of greatest growth still lies ahead, particularly in the field of chemistry.

"Executives seeking new plant sites, new markets, are invited to investigate Houston thoroughly, because here are unsurpassed opportunities in a great, growing and progressive section of our nation."

The brochure contains charts and graphs that show Houston's growth over the past 20-odd years. It is liberally illustrated with photographs of new plants, new construction, industries on the Houston Ship Channel, etc.

Nativity; and a professional marionette show. For Christmas Week the lobby will be turned into a theater, with a stage for the show and seats for the audience. The bank's business activities are to be transferred to other parts of the building.

The Phoenix College A Capella Choir, for the 16th consecutive year, will sing in the lobby of the VALLEY NATIONAL BANK, Phoenix, on the afternoon before Christmas. The first half

(CONTINUED ON PAGE 96)

Right, Christmas carols at the Valley National

Left, Franklin Square National's diorama





**"We just took Noise
off our bank payroll!"**

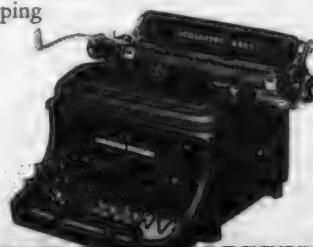
...with our new Remington Noiseless Typewriters"

NOISE is on your payroll . . . however little you may realize the fact. It's costing you money by lowering typing production and reducing clerical efficiency in general. Actual tests proved that a typist expends 20% more energy under noisy conditions . . . and her production is reduced about 5%.

From these test results, it was concluded that a 15% reduction in noise brings a 5% increase in typing efficiency. Which means that within each and every typing station lies your greatest opportunity to cut office costs by increasing typing production.

With the new Remington Noiseless on the job . . . you eliminate a main source of noise in your office. Typing production increases, office morale is better, telephone conversations are made easier. All thanks to exclusive Remington Rand silent pressure printing. Patterned after the operation of fine printing presses, it p-r-e-s-s-e-s the typebars against the paper swiftly and silently . . . gives perfect reproduction in the merest whisper of sound.

For an expert analysis of your typing station problems, without cost or obligation, mail the coupon below—today. Your nearby Remington Rand representative will make this analysis at your convenience . . . and then show you how the new Remington Noiseless can give you greater typing production and lower office costs.



MAIL THIS COUPON TODAY

Remington Rand Inc., Typewriter Division, Dept. H-12
315 Fourth Avenue, New York 10, N. Y.

Without cost or obligation on our part, please have your representative call to arrange for an analysis of our typing stations.

Firm _____

Name _____ Title _____

Address _____

City _____ Zone _____ State _____

Remington Rand

THE FIRST NAME IN TYPEWRITERS

Methods and Ideas

(CONTINUED FROM PAGE 94)

hour of the program will be transcribed and broadcast, as usual, over the seven stations of an Arizona network on Christmas morning.

At THE BANK FOR SAVINGS, New York City, there'll be the usual staff-organized Christmas party for neighborhood children. The bank's employees provide the presents—this year, dolls for girls and dump trucks for boys. The gifts are distributed at a big community get-together in the bank just before the holiday.

The symphonic choir is an annual Christmas feature at the First National Bank of St. Petersburg



IT'S A GOOD IDEA...

... to advertise for new and repeat Time Sales business in your Payment Coupon Books. You reach your best prospects—your customers. The cost is small. And your message is sure to receive the right attention.

Inserts, placed in timely positions between coupons, will do the job effectively and make your Payment Coupon Book an invaluable selling medium as well as a collection form. Write to head office:

Indianapolis 6, Indiana.

"SINCE
1888"



Even the most optimistic authorities have usually underestimated the growth and business opportunities of this greater metropolitan area. Over fifty-seven years of operation and 34 branch offices in this community afford us ideal facilities to better serve our correspondent banks.



CENTRAL BANK & TRUST COMPANY of Denver gives a Christmas party for the young members of its Honor Award Club, composed of Denverites under 14 who have found and returned sums of money. Started three years ago by Assistant Cashier T. Arthur Williams, the club's membership today is approximately 150 boys and girls, each of whom proudly wears the club pin, carries a Y.M.C.A. or Y.W.C.A. card given as a reward for honesty, and has at the Central a savings account started by the bank as a further token that it pays to return money someone else has lost. At the party, which is usually attended by the governor of Colorado, the mayor of Denver and the juvenile court judge, each club member gets a small monetary gift.

Effective Car Cards

CENTRAL BANK of Oakland, California, reports excellent results from distinctive car cards for the development of personal loan business.

The cards carry one-word captions, such as "prompt," "confidential" or "courteous," and are illustrated with simple cartoon-style drawings. Copy is brief and makes two points: that the reader need not be a depositor in order to borrow and that all loans are at regular bank rates.

Getting New Customers

STATE-PLANTERS BANK AND TRUST COMPANY of Richmond is circulating among its customers a little folder, "Let's Make a Friendship Chain."

"We believe," it says, "you have friends or relatives who would find our many banking services convenient, efficient and helpful. . . . We hope you will fill in and mail the attached postpaid card recommending persons for us to contact. Of course your name will not be mentioned unless you so desire."

The opposite page, perforated for

easy detachment, is a business reply card whereon the old customer can fill in the name of a prospect. There are spaces for checking the service in which the potential new customer may be interested.

The Condition Statement

Let's admit that to the average newspaper reader a bank's statement of condition is an item that can either be skimmed or skipped—probably the latter. Some people will look at the total assets or deposits, perhaps to satisfy a fleeting curiosity as to whether this bank is "bigger" than that one. But on the whole it seems probable that the figures can't compete with the sports or woman's pages for reader interest.

A year ago THE NATIONAL CITY BANK of Cleveland adopted the policy of prefacing its published statement with a friendly bit of comment by President Sidney B. Congdon. The plan, says the bank, has met with "much favorable comment," and BANKING thought it might be interesting to pass along the prefatory items that appeared during 1948.

At the top of the September 30 statement appeared this one, under the heading "\$452,231,577.90": "In the statement below, this figure represents the total deposits of the Bank. This money does not belong to the bank. It belongs to housewives, clerks, garagemen, stenographers, businessmen and corporations. It belongs to thousands of people—young and old. It represents the working funds of small business and big business. It represents the savings of thrifty men and women. Without bank deposits no community can thrive and prosper."

Another, captioned "As You Grow We Grow," said: "This bank has thousands of accounts from all types and sizes of business. Some are large, some are small, but all are important to us. Through the years we have seen the

State-Planters Bank and Trust Co. Richmond, Virginia

I suggest that you communicate with

Name.....
(Individual or Firm)

Address.....

who may be interested in:

Checking Account Savings Account Auto Loan
Business Loan Trust Services Chex Account
Personal Loan Safe Deposit Box Other.....

Your Name.....

Address.....

Reply card for mailing prospects' names

small accounts grow into large accounts, often with our help and guidance. We want our customers to prosper and grow because that is the only way our bank can continue to move forward, as it has done for more than a century."

A third said the bank was "never too busy to 'visit'" with its customers. "We think of each of them as a friend. We are personally interested in seeing them get ahead. We know that in addition to money and credit, sound counsel growing out of years of experience is often of great value. That is why we are never too busy to talk it over."

The fourth little editorial was about the bank's board: "The 24 directors of this bank have broad experience in many fields of business. They bring a wealth of knowledge to bear on the important and varied subjects which must be considered in the conduct of the bank's affairs."

Banks and Home Shows

LIBERTY BANK of Buffalo, New York, made effective use of a booth at the local Better Homes Exposition to promote its services and build a mailing list.

The large display featured pictures of the bank's 17 branches, placed around a highly legible list of its services and a big picture of the main office. Red and blue stars blinked along the border, attracting the attention of the thousands who saw the exposition.

Adult visitors registered at the booth were invited to participate in a drawing for three United States Savings Bonds, and 26,000 Buffalonians did so. Most of them were home owners and the bank filed their names for future use. Each person received a pamphlet outlining Liberty's 19 services.

Harry G. Brogan says the bank had a good supply of these folders and will be glad to send samples.

MERCHANTS NATIONAL BANK AND TRUST COMPANY of Meadville, Pennsylvania, also reports good results from a display at its city's Industrial and Home Show.

A coin counting and wrapping machine caught the eye of visitors. They also liked the demonstration of the film reader which showed the public that the bank keeps a photographic record of checks and that its depositors are thus protected in case they need to prove payment of a bill.



The bank booths at Buffalo, right, and Meadville home shows



A Change of Address . . .

Due to the continued growth of Polk's Bankers Encyclopedia and in an effort to better serve you, the Bankers Division of R. L. Polk & Co. has been moved to Nashville, Tennessee. All correspondence should be addressed to:

R. L. Polk & Co.
POLK'S BANKERS ENCYCLOPEDIA
130 FOURTH AVENUE, NORTH
NASHVILLE 3

TENNESSEE

**THE IMPORTANT
BALANCE SHEET
FOOT-NOTE:**

"Our 'Replacement Reserve' established by American Appraisal Service shows that plant values exceed book values by \$....."

The AMERICAN APPRAISAL Company

Over Fifty Years of Service
OFFICES IN PRINCIPAL CITIES



OLD WAY—Slow, Wasteful, Tedious



...for
QUICK-
ACCURATE--
Handling of Loose Coins
The DOWNEY CHANGE TRAY
THE MODERN WAY

THIS aluminum Tray holds 10 coins each of pennies, nickels, dimes, quarters and halves in each of 68 staggered pockets for quick handling. Raised black figures on border mark pockets. Teller can make change with speed. Size of Tray: 12½ in. by 9 in. May be placed on counter, mounted on pedestal to save space or on short legs for nesting and storage in vault.

WRITE TODAY, to DEPT. N

The C. L. DOWNEY Company
HANNIBAL, MISSOURI
World's Largest Mfrs. of Coin Wrappers

The United States Secret Service display, "Know Your Money," likewise attracted attention.

"We feel," says Assistant Vice-president William H. Bishop, "that we did ourselves a lot of good and helped many folks understand some phases of banking."

Bond Allotment Plan

The Security-First National Bank of Los Angeles has a payroll allotment plan which benefits employees who desire to purchase U. S. Savings Bonds but do not wish to make a complete allotment out of any one pay period. The minimum allotment is \$1, and larger amounts are in multiples of \$1. Each time a sufficient amount has been accumulated for the purchase of a bond of the price designated by the employee, the latter is furnished a form of application and the purchase is made. The amount of the allotment can be changed from time to time as the employee desires.

"Rainy Day" Savings

THE UNION BANK of Erie, Pennsylvania, recently used a novel method of promoting savings accounts. Setting aside a week for the stimulation of "rainy day" savings, the bank decorated its lobby and officers quarters with dozens of new umbrellas and old parasols. Employees carried small paper umbrellas, each bearing the admonition "Save for a rainy day—when it rains it pours. Save more."

The Erie Public Museum loaned 40 old parasols and from staff members and other sources the bank assembled 150 modern rain shields. Large signs drew the customers' attention to the advisability of saving as a protection against inclement economic weather.

(CONTINUED ON PAGE 100)

Bank staff with "Rainy Day Week" parasols



See...
it



USED BY BIG
BUSINESS and SMALL

On installment, personal
and real estate (gas, and
all time payment operations, this
machine and coupon team is used
by such groups as

National City Bank, New York
First National Bank, Louisville
People's National Bank, Chicago
Motor Acceptance Corp., Philadelphia
Automobile Banking Corporation, Philadelphia
American Credit Corp., Newark
The City Loan & Savings Co., Lima, Ohio
The Franklin Trust, National Bank, New York
American Security Bank & Trust Corp., Marion Ind
Bank of Virginia, Richmond, Va
Federal Services Finance Corp., Washington, D.C.
Pioneer Bank, Chattanooga
Union Planters Nat. Bank and Trust, Memphis
Vim Electric Co., Inc., Brooklyn
The Society for Savings, Cleveland
Ned's Auto Supply Co., Detroit
and hundreds more. You owe it to yourself to
mail the coupon and know why!

THE NEW PRINTED PERFORATIONS
AS LEGIBLE AS...

THIS



See HOW NEW CUMMINS "350"
HELPS 10 WAYS TO GET AND SPEED THE
HANDLING OF TIME PAYMENT OPERATIONS

This machine and coupon team gets consumer credit business and handles it more profitably than anything else you've seen. The new Cummins "350" punches a new kind of printed hole which has the optical effect of a solid printed letter. And that's not all; read on!

1 CORRECT INFORMATION PERFORATED THROUGHOUT ENTIRE BOOK. Eliminates errors in posting of each payment. Eliminates transposition of digits in account numbers or amounts at time of payment.

2 BOOK CONTAINS COUPON FOR EACH PAYMENT. Each coupon shows (1) Amount, (2) Account Number, (3) Date Due, (4) Type of Account or any additional classifications.

3 QUICKLY & SURELY points out (1) Age of Account, (2) Due Date, (3) Delinquency Date.

4 COUPONS SERVE AS ADVANCE NOTICE OF ALL PAYMENTS DUE. Eliminates postage and detail work of mailing notices. Cost of books saved many times over in this feature alone.

5 CUSTOMERS LIKE CUMMINS' INSTANT SERVICE at payment window. Transaction is completed simply by stamping stub paid.

6 INSURES LEVEL PAYMENTS. Practically eliminates partial pay-

ments thereby insuring low cost accounting. Provides maximum benefits from prescheduled balances.

7 CUSTOMERS PREFER COUPON BOOKS IN MAIL PAYMENTS. Makes payments painless. Eliminates customer carelessness. Insures sure and positive identification of customer making remittance. No lost time in trying to identify maker of payment.

8 SIMPLIFIES REPORTS to Home Office or accounting department. Eliminates posting from carbon copies of receipts, transposition of account numbers or amount.

9 THE SYSTEM PERMITS ANY DEGREE OF EXPANSION IN FUTURE without purchasing new books. Leaves room for additional branch office designations, additional classes of contracts, all additional dealer codes.

10 COUPON BOOK INVENTORY investment substantially reduced; one form of book handles all types of contracts.

See that you get it... MAIL COUPON TODAY!

CUMMINS BUSINESS MACHINES CORP.

4742 Ravenswood Ave., Chicago 40, Illinois

Gentlemen: Without cost or obligation please send details on getting and speeding loan traffic with Cummins' New "350" Canceler.

Name Title

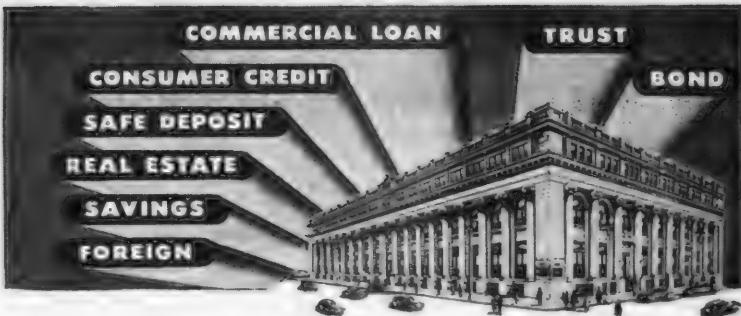
Firm

Address

City State

CUMMINS

Business Machines Since 1887



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Protect Your Customers — Sell **AMERICAN EXPRESS TRAVELERS CHEQUES**

most readily accepted
most widely known

(CONTINUED FROM PAGE 98)

One placard read "Two things are good for a rainy day." With the lettering were two arrows, one pointing to an umbrella, the other to a savings passbook made out for "Mr. and Mrs. Erie."

In fact, all the bank seems to have omitted in its indoor preparedness campaign was some rain.

Customers' comments, reports Alfred J. Hartleb, vice-president and cashier of the UNION, were "enthusiastic."

Consumer Credit Picnic

The consumer credit department of the Old National Bank at Evansville, Indiana, maintains social as well as business contacts with its customers. The department played host one fine Autumn evening at a picnic for about 300 dealers in automobiles, home appliances, and building supplies, together with the salesmen for those businesses. They came from 50 miles around to attend the picnic.

Besides dinner, a program was presented which included music; motion pictures of golf, football, and auto racing; and a demonstration of the latest developments in television reception. Officers of the bank acted as hosts, assisted by two members of the board of directors who serve on the bank's consumer credit committee.

New Account No. 1,000,000

Since January of this year the LINCOLN SAVINGS BANK, which has five offices in Brooklyn, New York, had known that sometime during the year somebody would open Account No. 1,000,000.

Plans were made well in advance for a special observance of that milestone, and as 1948 wore along the number of new accounts was carefully watched. Finally, on a recent Monday morning, when the total stood at 999,782, the bank knew that "the day" had probably arrived. At the main office five

Lincoln's President Gretsch gives check to owner of new account No. 1,000,000



clerks were stationed at telephones and as accounts were opened at the various offices a careful record was maintained.

Just as it began to look as though the goal wouldn't be reached until the next day, Mrs. Lydia C. Moore came into the Bay Ridge branch and opened an account. At 4:45 P.M., just as she was leaving the bank, the main office flashed word that Mrs. Moore, widow of a minister and mother of two children, was the millionth new depositor. Lincoln gave her a check, an orchid corsage, a box of flowers, and a luncheon. Also, on her passbook these words were stamped in gold: "The One-Millionth New Account."

Thus by a little foresight and preparation the bank was able to turn what might have passed as a routine event into an incident that made news of the "human interest" variety newspapers like so well.

Another Television Show

CORN EXCHANGE NATIONAL BANK AND TRUST COMPANY, Philadelphia, now sponsors a weekly television show. Called "Open House," it features guests prominent in civic affairs, industry and the theater.

The setting for the half-hour program



Scene in a Corn Exchange telecast

is a living home in which the visitors are interviewed. Persons on the first of the half-hour programs included David E. Williams, president of the bank; the manager of the Philadelphia Orchestra; an authority on women's fashions; a physician; a radio star; and a merchant.

The bank's annual flower show was televised with the cooperation of the three Philadelphia stations.

In Short . . .

Forty-one Michigan corporations received bronze plaques presented by the DETROIT TRUST COMPANY for publishing outstanding annual reports on the 1947 operations. Thirty-four other firms

got merit certificates. The purpose of the awards, which the bank now makes each year, is to encourage a wider interest in reports as a means of improving public understanding of the financial aspects of business and the free enterprise system.

BANK OF MONTREAL distributes school book covers, lettered in French and English, to pupils in Canadian communities from coast to coast. There's a series of seven. On the back of each is an advertisement directed to young people.

THE ANN ARBOR (Michigan) TRUST COMPANY has begun publication of a quarterly bulletin, *You and Your Family*, which will include educational material on trust services and information about the company. The masthead says the bulletin is "for those who possess property of any kind or amount and who want to assure the greatest happiness and security for themselves and their families."

UPPER DARBY (Pennsylvania) NATIONAL BANK recently inaugurated a staff news letter to keep the employees informed on bank activities.



11-8
1210

A SYMBOL
OF SOUND
PANKING FOR
SEVENTY-EIGHT
YEARS.

For Your
California Correspondent
Think
of Crocker First

CROCKER FIRST NATIONAL BANK
OF SAN FRANCISCO

EASTERN REPRESENTATIVE
20 Pine Street • New York
MEMBER F. D. I. C.

1 MONTGOMERY STREET
SAN FRANCISCO

FRANKLIN AT THIRTEENTH STREET
OAKLAND

Washington

(CONTINUED FROM PAGE 35)

lating insurance companies in any fashion. This idea was discussed behind the scenes in the '30's, and was dropped. There is too great a fear that if the many millions who own insurance policies became afraid of such legislation, it might create a considerable political liability for the Congressmen who propose it. On the other hand, the new Congress, if it unexpectedly focused upon credit control as a key issue, would be less afraid to tackle new fields of regulation than the retiring Congress.

TEW Opponents Beaten

Already it seems that the President may have the Taft-Ellender-Wagner omnibus and public housing bill if he wants it, and he probably will want it, or some variation of it.

Five opponents of public housing who were members of the House Banking Committee will not return in January. These were Sundstrom of New Jersey, Buffet of Nebraska, Fletcher of California, Banta of Missouri, and Stratton of Illinois. Mr. Stratton voluntarily withdrew to run for a state office. Mr. Buffet sponsored the project for a proposed monetary commission study of the whole field of monetary legislation.

Chairman Jesse P. Wolcott of the committee, who more than any other individual was responsible for the defeat during the last two years of important proposals for government-lending and government-subsidized lending, steps down as chairman of the committee, for he is a Republican. Mr. Wolcott was re-elected, however, and will serve as ranking minority member of the committee. The chairman of the committee will be Representative Brent Spence of Kentucky, who, at least in 1948, favored most of the major proposals Mr. Wolcott opposed.

In the Senate, Senator C. Douglass Buck of Delaware was defeated. He was chairman of the special Senate Banking subcommittee which, after an investigation and careful study, framed the law extending the term of Reconstruction Finance Corporation lending to June 30, 1954. This law greatly curtailed RFC's capacity to lend. Senator Charles W. Tobey of New Hampshire retires as chairman of the Senate Banking group.

Senate Committee's Leanings

The shift in the Senate Banking Committee is less in numbers than in the House committee. Only the one Republican, Senator Buck, was defeated, leaving on the GOP membership of the committee Senators Tobey, Harry P. Cain of Washington, a former banker of

the West Coast, Ralph E. Flanders of Vermont, John W. Bricker of Ohio, and Joseph R. McCarthy of Wisconsin.

Changes in Other Committees

While Senator Eugene D. Millikin of Colorado will surrender the chairmanship of Finance to Senator George of Georgia, the committee, which is responsible for tax legislation, likely will remain preponderantly conservative. Senator George may be expected to frown upon any proposal for the restoration of the excess profits tax, even in the relatively limited form proposed for 1948.

If taxes must be raised in 1949, the Senator is more likely to go along with at least a majority of the hold-over committee members, to favor a higher corporation income tax in lieu either of the excess profits tax idea or the restoration of the 4 to 5 points of reduction in the top surtax brackets achieved by the 80th Congress. Whether banks, as corporations, will be faced with higher income taxes in 1949, however, depends upon many budgetary factors which are not clear at the present time.

The new line-up in the House Ways and Means Committee, which is the House "tax committee," is less promising.

During the 80th Congress the Joint Committee on the Economic Report held many of the hearings on inflation control proposals. This committee has proved to be of insignificant importance as a direct agency for originating legislation. Nevertheless, it has been important as a forum on monetary problems. Its retiring chairman is Senator Taft, who probably is far better informed on monetary matters than any score of Congressmen combined. Replacing Senator Taft will be Senator O'Mahoney of Wyoming, who is a solid New Deal partisan.

Farm Legislation Leadership Changes

During the 80th Congress substantial progress was made in reversing the long trend toward government operation of subsidized agricultural credit.

It cannot be said, of course, that the change in the control of this committee will encourage the expansion of government farm credit, or even clear for approval the above mentioned land bank proposal. The change in control would seem at this early stage to offer some prospect of arresting the trend away from governmentalism.

Another proposal which was pending



in the 80th Congress related to retiring the government capital of the FCA's Banks for Cooperatives. The basis for retirement favored by the farm groups and the House committee was one which would have left in the government capital for a long period, permitting its use to make the "retirement" of the government investment as painless as possible, and the period when this facet of government subsidized lending would end, more distant.

Now that the Democrats have assumed control it may be questioned whether any bill for Bank for Cooperatives capital retirement will develop any enthusiasm in the new left-wing Congress. This project got tossed about last year because the Congress was undoubtedly sour on subsidized lending, and partisans of the farm cooperative movement sought to forestall the day when the subsidy actually would end.

Independent FCA Doubtful

Had the GOP won the election, the farm groups intended to make a drive to take the Farm Credit Administration out of the Department of Agriculture and put it under the supervision of an independent, bi-partisan board. One of the factors which has hindered this proposition heretofore was the objection of the Secretary of Agriculture, and the consequent prospect of a White House veto of the independent FCA. Now that the Democrats remain in control of the Administration, this proposition may again encounter difficulty if it is pushed in the committee.

If a relatively non-controversial bill to regulate bank holding companies is agreed to in the near future, it should have a pretty good chance in the new Congress. The Federal Reserve Board for some months has been conferring with various elements in the banking business with a view to reaching an agreement on such a bill. The success of the Administration in the election should help rather than hinder its chances of enactment.

Bill Passage Not Sure

However, as to the actual passage of a bank holding company bill, no prospects are anywhere near sure at this stage. There is always the question of how much time the Congress, after it gets involved in the issues which are boiling in the public attention, has left for proposals of this character. Another pending proposition, about which the outlook is clouded, is the proposal to facilitate the "two-way conversion," or

the removal of the impediments to conversion of national banks to state charters when they wish to do so.

FDIC

Had the Congress not changed in its political orientation, there might have developed a movement to lower the assessment rate for FDIC insurance. The rate is now $\frac{1}{2}$ of 1 percent, and under this rate FDIC has, coupled with earnings on its investments, earned sufficient to pay off the original government investment of this corporation and build up a surplus of \$1 billion of capital funds.



"I'd like to borrow a big, red, convertible!"

Woollen Answers Story

(CONTINUED FROM PAGE 56)

Today the FDIC is an insurance fund of a billion dollars, of which almost \$850 million has been supplied by the banks through regular assessments on their deposits; and the remainder represents earnings from the investment of these funds. It is difficult to understand how anyone would have the courage to try to represent this as a subsidy to the banks.

RFC Loans Not Subsidies

"As for the Reconstruction Finance Corporation, when it was proposed earlier this year to extend the life of the corporation and provide it with \$350 million permanent capital and surplus, it was the American Bankers Association that appeared before the Senate Banking and Currency Committee in Washington to insist that the RFC and all other government lending agencies should be compelled to pay the Treasury for the use of public funds, whether advanced to them as loans or invested in them as capital. It is true, of course, that the RFC made loans to banks and invested in the capital stock of banks back in the depression days; but these advances were not in the nature of a subsidy. The banks paid interest on all of them while they had them—first at the rate of 5 percent and later at the rate of 3 percent—rates which were higher than that which the Treasury had to pay for funds in the open market.

"Most of these advances have long since been paid off, and the RFC made an earning on them. There is certainly no subsidy here.

"To say that the U. S. Treasury main-

tains deposit balances averaging more than \$18 billion which the banks loan at a profit is to use obsolete figures applying to only two wartime years when the Treasury had to maintain high working balances because of its stupendous war expenditures. The figure for midsummer 1948 was \$2.2 billion. It is anticipated that this may be drawn down in the months ahead. The War Loan accounts of the Treasury represent most of these funds. In the main, they consist of funds necessary to meet the current operating needs of the Government. They were never intended to be and have not been a profit-making device for banks. On the contrary, they involve a great deal of service rendered by the banks to the Treasury in carrying out its operations, the cost of which more than offsets any possibility of a profit derived from their use by the banks. Payment of interest on these accounts is forbidden by law. The business of the U. S. Government is an enormous business. It should be remembered that such an enterprise as the Government has need of working funds which exceed those of any other business.

"There is always room for two opinions on any question. While we are sure that we are right, we concede the sincerity of those who disagree, so long as they stick to the facts. By the same token, we believe the farmers will grant the fairness of our position if they are given the facts. But we do not concede the right of the Farm Credit Administration to prejudice the farmers against the banks in this way by this kind of technique."

Purchasing

(CONTINUED FROM PAGE 52)

operate in the buying of stationery and supplies and thereby avail themselves of a better unit price through purchases in quantity lots. This would work out very well in the printing of forms in combinations.

Purchase Records

Three of the nine essential records to be used in the purchasing department are:

1. Estimate Sheet
2. Purchase Order
3. Specification Sheet

Their use will be discussed in detail in the appropriate sections of this booklet.

To keep an adequate running check on inventory the purchasing officer should keep, as a minimum, an active file of purchase orders issued by the bank, or copies of salesmen's orders, and an inventory record for each item in stock. Such a record should cover the dates, quantities of supplies purchased, from whom bought, and to whom distributed. A record thus maintained will give information on the annual consumption of each article.

Unless such records are kept, there is danger of duplicating orders placed for future shipment and thus throwing inventories completely out of line; danger of disputes arising between buyer and seller regarding quantities ordered, delivery date and price agreed upon; danger of missing reorder dates with consequent shortage of supplies resulting in rush orders to manufacturers, which in turn result in added expense or poor quality workmanship.

A forms file should also be kept, using a separate manila folder for each form, into which a copy of the form would be filed. It should contain the history of each form, and suggestions for changes in the form pending reorder.

Estimates

After a decision has been made to purchase a certain type of bank supply, the first step is to obtain prices. This can be done through the use of an estimate sheet. This form is made up of nine pages of lightweight paper, which gives sufficient copies to send two copies to each of four bidders, and a copy for the bank. The body of the form is first filled out, including the date for closing of bids, and the form is separated. Then each of two sheets is filled in with the name of the chosen bidder, and both sheets are mailed to the bidder. On the

ninth and last page are typed the names of all the bidders. The bidder returns one of the sheets to the bank and retains one copy for his own file.

This form is designed to be mailed in a window envelope.

When estimates have been received and the supplier has been chosen, the purchase order is filled out.

Purchase Order

The purchase order is a four-part carbon set which can either be the style which has to be interleaved with carbon paper, or it can be the snap-out carbon style. The purchase order form is designed for a window envelope.

A very small bank may prefer to omit the printed purchase order and use a letter instead, and thus provide carbon copies of letters which can be filed for follow-up purposes, checking supplies received, etc. However, the use of a printed and numbered purchase order can usually be justified, since it requires only a fill-in with typewriter and insures uniformity of description.

The purchase order is composed of the following parts:

- (1) First copy (white) is mailed to the supplier. The description shows the quantity and description of material desired, and instructions regarding delivery. If stationery or forms are being ordered, a copy of the specifications sheet should be enclosed with the purchase order. If the invoice is received in advance of the

merchandise, it should be filed with the office copy of the purchase order pending receipt of the stockroom copy, the latter indicating that the goods have been received.

- (2) Second copy (buff) is filed alphabetically by firm name in the purchasing department for convenience in checking invoices when received.
- (3) The third copy (pink) is sent to the stockroom clerk to use in checking supplies when received. He should note any exceptions in the shipment on this copy and return it to the purchasing agent, who should attach it to his own file copy and hold until the invoice is received.
- (4) The fourth copy (blue) is also sent to the stockroom clerk to be filed ahead according to anticipated delivery date to serve as a follow-up on outstanding orders. When stock is received he should note exceptions on this copy, and file it.

Specifications Sheet

For convenience, and to avoid misunderstandings between the purchaser and the printer, a specifications sheet is extremely helpful. It contains all of the instructions necessary for the production of a printing job. A specifications sheet also may be used in obtaining bids on jobs. A copy of the specifications sheet can be sent along with the request for quotations, which will give the supplier an intelligent basis for submitting an estimate.

This "roll-away" teller's cage at the Bank of Benton, Illinois, is trundled out on Saturday only and serves children only. It is, in effect, a bank for children. The youngsters have passbooks; regular banking hours each Saturday; no minimum deposit—a two-penny deposit is not uncommon. Interest is paid, loans are sometimes negotiated. The school approves the idea as it gives practical lessons in saving. A high school girl acts as teller





takes only one

Employers often find themselves in deep water as the result of embezzlements by unbonded employees.

Indeed, many a business has been foundered by just one such loss.

Moral for bankers: before granting a loan to a commercial borrower, always make sure that he is carrying enough Dishonesty Insurance to assure his security—and yours.

Whenever you need assistance in checking the form and sufficiency of a loan applicant's dishonesty protection, call the F&D representative in your community; he'll be glad to help. And this extra measure of protection for both borrower and lender costs your bank nothing.



FIDELITY, SURETY AND BANKERS
BLANKET BONDS; BURGLARY AND
OTHER NEEDED FORMS OF INSURANCE

FIDELITY AND DEPOSIT COMPANY
Baltimore Maryland

WITH WHICH IS AFFILIATED THE AMERICAN BONDING COMPANY OF BALTIMORE

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The Gold Cure for What Ails Us

(CONTINUED FROM PAGE 43)

For instance, government controls of international exchange disturb and interfere with traders in making contracts and in making and receiving payment. They hamper exporters, importers and banks. If some of these controls are to be effective, the Government must reach into personal correspondence, the personal effects of travelers must be searched, the usual and desirable personal freedom must be curbed in a variety of ways. Such controls interfere with transfers of capital abroad and with capital investments. People cannot aid or make gifts freely to families or friends abroad. The opportunities for young or weak countries to develop as a consequence of foreign capital investment are restricted or destroyed. Excessive power resides with the control organization. Clandestine and illegal transactions are invited. The unscrupulous is favored as against the better type of merchant. Government favoritism develops as do arbitrariness and injustice of all kinds. Tourist travel is interrupted or distorted. The otherwise smooth flow of international commerce is disrupted. Instability in nearly all economic relationships is generated. Real rates of exchange are replaced by artificial rates. The payment of subsidies and indemnities is obscured.

Minimum Regulation

Let the Government regulate in the interests of free and fair competition, but let its regulation end there, except where matters of national safety and of armament are involved.

Objective, free market, values are the only proper values known to man, and we should recognize and adhere to that fact. The subjective standards employed by government planners are dependent solely upon the desires and power of the officials, and have no validity in economic science.

Let us extend such aid internationally as we appropriately can and should by means of commissions.

When a nation requests our aid we should send a commission composed of competent men. Among them should be specialists in the fields of monetary and fiscal affairs. Should the commission's program involve an invitation to our people to aid, private enterprise, without burden on the United States taxpayer, should be able to provide the needed aid if the request is defensible and is not merely for a gift.

The order in which various parts of the monetary and fiscal programs would be instituted should be expected to vary from country to country because of different conditions. The common debate as to which comes first—political, economic, budgetary or monetary stability—is largely futile for the reason that the order should be expected to vary according to the dissimilar conditions in the various countries. There is, for example, the question of how much political instability can exist without endangering monetary and fiscal stability. There is also the question of the cooperation of a people and of their officials in the various nations, assuming that a good plan has been devised by a commission.

Good Monetary Standard and Standard Money Needed

A good monetary standard and standard money are necessities if a people are to labor and produce and exchange their goods and services. All over the world where cheap, governmentally "managed," irredeemable paper currencies are employed, one can see workers hoarding their real wealth and hesitating to exchange their goods and services for a paper in which they have little confidence. Let these people get gold and silver and a redeemable paper money, and the wheels of enterprise will start turning and soon be humming. A good standard money must be composed of a fixed unit of a material that has worldwide demand. To command this demand it must have value; to have lasting value it must represent stored labor. An irredeemable paper money, which can be multiplied at will by the printing press, cannot meet these basic requirements. Gold can do that.

Nations will not get monetary stability until this elemental and elementary fact is recognized and accepted.

We can attempt international stabilization now if we will proceed by dealing with individual nations rather than by generalized programs on a global basis. The first country to lead the way is our own. Thereafter, other nations should, as they can, indicate their willingness to stabilize their currencies in terms of a fixed weight of gold payable on demand anywhere, any time, by putting their national budgets in order and by removing foreign exchange controls.



Those who wish to invest in a young and growing country, whether by active participation in establishing industries there or by purchase of securities, may obtain a free copy of this booklet from their bankers or direct from:

BANK OF NEW SOUTH WALES

*British & Foreign Department
Sydney, Australia.*

Our Advice is...

CONSULT A SPECIALIST

YOUR BANK
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MANAGEMENT
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...for Job Evaluation

MERIT RATING PLANS AND
JOB EVALUATION FOR BANKS

**MANAGEMENT
CONSULTANTS**
INCORPORATED

JAMES A. HOUSE, Jr., President

ENGINEERS BUILDING
CLEVELAND 13, OHIO

Cost Analysis for the Small Bank

(CONTINUED FROM PAGE 39)

long as the bank operator is consistent, year after year, in following the same procedure in working out his cost analysis program.

After the distribution of the average balance sheet figures, the bottom portion (beneath the income and expense figures) of the distribution sheets of the several departments which supply funds to be invested and of the several investment departments will appear as shown in illustrations 1, 2, 3, 4, 5, 6 and 7. Illustration 7 represents the totals from consumer credit department, bond department and loan department. It will be noticed that the total of the funds available for investment, shown in illustrations 1, 2 and 3, is equal to the total of funds invested in illustration 7. This point is important, since the net income from the investment department is to be distributed pro rata in proportion to the contribution made of investable funds by shareholders funds department, savings department and commercial department.

Distribution of Income

All income is distributed from the general ledger to the various departments to which that income relates. Service charge income from checking accounts is credited to commercial department; miscellaneous service charges in the savings department are credited to that department; rentals received on safe deposit boxes are credited to safe deposit box department and trust income to the trust department; collection fees to the collection department and, of course, interest on various loans, or investments, to the several departments represented. If "other real estate" should develop in the bank, a separate departmental account, for cost analysis purposes, should be maintained and included as part of the investment department. After all income has been distributed thusly and the accuracy of the posting of such income proved by adding machine additions, the next step is to ascertain the rate of return upon investments.

The obtaining of the rate of return upon investments is merely an arithmetical process of dividing the total average amount invested into the net income (which, of course, is total income less expense). The resulting figure is the yearly rate of income upon the average amount invested. Usually, the carrying out of this percentage figure to four decimal points is sufficient to

enable an accurate use of the figure.

The further distribution of net income from investments to the three departments which provide the funds for investment is now comparatively easy. The reason why this net income figure is divided and credited to the two deposit departments and shareholders funds department is that we wish to obtain a net profit figure in connection with these latter departments so that we may ascertain if we are earning sufficient margin of profit on our funds.

Net Income Not a "Profit"

Further than this, it is the feeling of the author that the net income does not belong as a "profit" to the investment department, but, rather, the investment department is merely the vehicle for the investment of funds provided by the commercial department, the savings department and the shareholders funds department. The sole purpose of maintaining cost figures for the several investment departments, and for the investment department as a whole, is so we may ascertain what our costs of investing are and, thus, know if our charges for these investment services are sufficient. Further, so we may know what our average rate of income is upon the money that we invest. These facts are essential to the bank operator for the determination of policies, interest rates and service charges.

In our next article, a discussion will be had upon some of these costs and ratios.

By way of illustration of the division

ILLUSTRATION 7

INVESTMENT DEPARTMENT
(Composite of Consumer Credit, Bonds and
Loans)

1948

TOTAL EXPENSE.....	63,998.32
INCOME—All Sources.....	202,013.16
Contra—Building Expense.....	2,173.08
NET INCOME.....(A)	204,186.24
AVERAGE: Bonds.....	3,213,813.00
Loans.....	2,317,220.00
Other Investments.....	19,101.00
Consumer Credit.....	473,109.00
Bldg. & Furniture & Fixtures.....	72,406.00
Total Invested..(B)	6,095,649.00
YEARLY RATE OF INCOME (A + B).....	2.2998%

of investment income to the three investable cash-producing departments, we present the following figures:

TOTAL AVERAGE INVESTED..... \$6,095,649.00
NET INCOME FOR THE YEAR..... \$ 140,186.92
YEARLY RATE OF INCOME..... 2.2998%

(After cost of investing)

AVERAGE AVAILABLE FOR INVESTMENT	
Commercial	Department \$2,694,042.00 @ \$ 61,948.04 (After Reserves)
Savings	Department \$3,054,546.00 @ \$ 70,248.16 (After Reserves)
Shareholders	Funds..... \$ 347,061.00 @ \$ 7,990.72 (Less unin- vested cash)..... \$6,095,649.00 \$140,186.92

From the above figures, it will be seen that the funds available for investment in the three departments supplying such funds are exactly equal to the total amount invested. As explained previously, if the work of posting the average balance sheet has been done correctly, this will be a natural result of such distribution. It will be observed that the average rate of return from investments has been applied to the figures of the three departments, and a pro rata amount for distribution of income has been obtained. Another glance at illustrations 1, 2 and 3 will show this income distributed in the break-down of figures of net profit for these three departments.

How Much Information?

Before we can proceed further to utilize the figures obtained thus far, it is next necessary to post our various item counts on the expense and income distribution sheets of the several departments. At this point, the bank operator must decide how much information he wishes to obtain. It is possible to work out the cost of almost any type of transaction or item. However, in this regard, caution is advised that the operator does not maintain a multitude of item counts for the obtaining of cost elements that he will not use in a practical way. For instance, it is possible to segregate the cost of tellers' cashed checks from the cost of deposits received, the cost of handling a deposit ticket from the cost of handling an "out-of-town" check; and it is also possible to segregate the cost of handling paid items as against deposited items, with even a finer break-down in deposited items as to "on us," local or "out-of-town."

The fact remains, however, that the small bank, of the type for which this

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cost analysis system is devised, will probably do nothing about making separate charges of varying amounts for these different types of transactions. The author feels, in view of this situation in the small bank, that items handled in the commercial department, regardless of their nature and regardless of how many separate steps an individual item might have to take from the teller, through the proof and transit to the bookkeeper are "grist to the mill"; and no good purpose can be served by trying to identify differential in costs of different types of items. This is the author's preference, and he obtains in his own cost analysis a "per item" cost of all items going through the commercial department, regardless of whether such items originate in the teller's cage or come into the bank through the clearings, or otherwise, and whether they are deposit tickets, cashed checks or deposited items. Thus, he has reduced the detail work of analysis of checking accounts to a minimum.

A Practical Handling

All items handled in the commercial department are considered on the same basis, and separate records need not be maintained for each account of incoming items, deposited items, paid items, etc. On this point, we again may have disagreement from those who are interested in and have worked with cost analysis. However, the author feels his method is a practical handling of the situation. After all, a small bank is staffed with people all of whom will "double in brass," and the elimination of a certain type of item from the bank will not diminish the salary overhead in the department unless there is a very sizable decline in the total items handled.

The work of the commercial department in a small bank is so integrated that it is difficult, if not impossible, to obtain an accurate figure representing a specific type of item. And, as stated, probably nothing would be done in applying these various costs to account analysis. Nevertheless, if the individual bank operator wishes to have a finer break-down of costs, as applied to various types of commercial department items, it is entirely possible for him so to obtain such costs in this system of cost analysis, but the work of so doing would not be justified by the value of the results obtained.

Accumulation of Totals

To accumulate the various totals of items handled is not a difficult task if such totals are obtained daily and re-

corded in a book maintained for that purpose. If the bank is using a transit machine, such machine usually has item counters on it, and, thus, the information desired is quickly obtained at the end of the day. However, if the bank does not use such a machine, a record of items handled is easily gotten by saving the various adding machine runs of the items as they are handled in various departments and then counting the adding machine entries on these tapes. If the runs are particularly long, a ruler may be prepared by pasting a strip of adding machine tape on a piece of wood or metal with a straight edge. On the tape has been run numbers 1 to 50. With such a ruler, an adding machine run can be very quickly counted by measuring the length of the run and noting the number of items included in it, as indicated on the ruler. In all departments, the number of items handled each day is not so many that the task of counting them each day would prove to be arduous. By doing the work every day and posting to a memo book, it is a very simple matter to total these entries at the end of the accounting period to get the item counts needed for analysis purposes.

The final article of this series will be devoted to a discussion of the various item costs, percentages and ratios that the operator of a small bank will find useful and necessary in the determination of the bank's policies and charges to be made. In the final article, reference will be made to the illustrations that have appeared in the first three articles. And, incidentally, the figures appearing in these various illustrations were prepared for illustrative purpose only and are not intended to represent the actual figures of any bank.

"I can't make out whether it's a short customer or whether someone left his hat!"



Hempstead



Wm. Fulton Kurtz (center), president of the Pennsylvania Company for Banking and Trusts, is shown talking with Claude E. Bennett, president of the First National Bank of Wellsville, Pennsylvania, and George R. Howell, president of the Reading Trust Company, Reading, Pennsylvania, on the occasion of a correspondent bank meeting sponsored by The Pennsylvania Company

Meetings for Correspondent Banks

ONE of the best idea-generators, problem-solvers, and all round goodwill-builders developed in recent years is the Conference of Bank Correspondents. Here are two good examples of the practical kinds of programs arranged for meetings of this kind.

In Philadelphia

The Pennsylvania Company for Banking and Trusts had an all-day session at Hotel Warwick, Philadelphia, in the latter part of October, attended by almost 400 bankers from the area surrounding Philadelphia.

After a word of welcome from the president, Wm. Fulton Kurtz, the rest of the morning was taken up with the following talks: "Review of Our Bank Pension Plan," by Willard L. Case, Jr., assistant secretary; "Group Insurance for Banks," by John W. Clegg, Jr., trust officer; and "Financing Housing Construction," by John Koenig, Jr., vice-president of Colonial Title Surety Company.

After lunch there were these talks: "What's Ahead for the Banks?" by Wm. Fulton Kurtz; "Discussion of Loan Loss Reserves Under Treasury Regulation," by James J. Mahon, Jr., C.P.A., Lybrand, Ross Bros. & Montgomery; "Current Developments on Regulation 'W,'" by William F. Kelly, vice-president; "Television—Infant In-

dustry," by William W. Balderston, president of Philco Corporation; and "The Current Economic Situation," by Dr. Lionel D. Edie, economic consultant of New York. The program ended with the remarks of Wm. F. Kriebel, vice-

At the correspondent meeting of the First National Bank in St. Louis, Beardsley Ruml, chairman, R. H. Macy & Co., New York, is shown speaking on "Current Problems of Fiscal Policy," while seated at the table are, at Mr. Ruml's right, Chester C. Davis, president, Federal Reserve Bank of St. Louis, and, at his left, Walter W. Smith, the First National's chairman; William A. McDonnell, president of the bank, and David R. Calhoun, president, St. Louis Union Trust Company, an affiliate of the First National Bank



president and treasurer, who had arranged the meeting.

Afterwards there was a social hour and informal dinner.

In St. Louis

The First National Bank in St. Louis had a correspondent bank conference early in November, starting with an open house throughout the morning at the First National Bank building.

Following a luncheon at noon at Hotel Jefferson, presided over by President William A. McDonnell, there was a talk by Donald Danforth, president of Ralston Purina Company, on "Profitable Business For Somebody—Does the Banker Want It?"

The rest of the afternoon was taken up with the following talks: "Legal Problems Arising in Everyday Banking Transactions," by John I. Hayward, assistant vice-president; "Estate and Gift Taxation under 1948 Revenue Act," by Fred A. Sheppard, counsel and assistant vice-president of St. Louis Union Trust Company; "Bonds and Investment Policies," by Roland C. Behrens, vice-president, St. Louis Union Trust Company; and "Bank Credit Policies Under Present Business Conditions," by Herbert F. Boettler, vice-president.

The program ended with a dinner at the Hotel Jefferson, at which Chairman Walter W. Smith presided and the guest speaker was Beardsley Ruml, chairman, R. H. Macy & Co.

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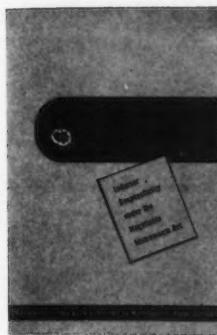
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Business Aids

EACH month this column will list recent acquisitions of manufacturers' literature which will supplement the

material indexed in 1947 by the A.B.A. Small Business Credit Commission.



CHECK ENDORSEMENTS — Thorough information on endorser responsibility under the Negotiable Instruments Act is contained in the 24 readable pages of this book, which also treats of the various kinds of endorsements and the correct and safe way to make them. A companion book, "Business

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OUR STORY HAS THREE SIDES—Outlines the parts played by the principals in an inventory loan transaction—the lender, the borrower and the field warehouse company that protects the collateral, explaining fully and illustrating for banks and their customers how inventory may be used conveniently as security for bank loans. Has 24 pages in color. Write *Douglas-Guardian Warehouse Corporation, 50 Broad Street, New York 4, N. Y.*

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EDITORIAL

THE CONDITION OF BUSINESS

By WILLIAM R. KUHNS

The Outlook

It remains to be seen how far the fear of trouble abroad and radical legislation at home will affect the health of a boom that is already well along in years, and check the flow of dollars into new plants and equipment.

On this point a lively battle of opinion has been going on in business circles ever since the election. One thing is sure. Until it becomes more clear what we are going to do in Europe and Asia with the bear we have by the tail, also what the 81st Congress has up its sleeve, business must play by ear. Some degree of apprehension is bound to exist, depending on the factors that we choose to accent.

In general the economic elements in the picture are good and the political elements are not, assuming the two can be separated so neatly.

Three Surprising Years

In broad perspective, the rebound of American business since the signing of peace with Japan has been greater than anyone expected and has lasted longer than anyone dared hope. In fact it is no exaggeration to say that this three-year period encompasses an economic phenomenon without parallel in history and is likely to be so judged when the time comes to measure it in retrospect.

Momentum

This boom still has a great deal of momentum behind it, although there has been a tendency for the big curve to level off this year instead of continuing upward.

While production seems to have caught up with demand in several dozen lines of business, there is still a great shortage of cheaper homes, automobiles, also steel and machinery. In fact a reason often cited for the levelling off of production in many lines this year has been a lack of machinery. Moreover, while we have probably passed the peak in farm prices and can expect some decline in the cost of living, the year's record crops assure a high level of farm income.

A complete line of inflationary cocktails is featured on the Government's menu, including rearmament, foreign aid and reconstruction, and the domestic social programs.

A favorable factor containing a large element of hope is the simple truth that we have been living with this Administration for almost four years and a reasonable assumption is that it will not suddenly go in for economic sleight-of-hand and actions hostile to business.

At least the Government is unlikely to do anything *intentionally* to kill the business goose, for many a golden egg will be needed to carry out big public spending programs.

Before and After

BANKING from time to time takes the pulse of business by asking 2,500 bank directors in all parts of the country "How's business?" This is an informal check-up, without any complicating factors, aimed simply to determine whether business in general is improving, holding about the same, or falling off. Just before the elections the answers to these three questions were divided about one-third in each category.

A noteworthy difference appears in the answers to the same questions obtained after the election. Now we find this result: Only 22 percent say their businesses are getting better. Forty-six percent see no trend up or down, and 32 percent report a decline.

Oh, Promise Me . . .

The Government is somewhat in the position of a lad who has proposed to half a dozen girls, with no thought of being accepted, only to find that all have said yes and are waiting at the church for better or for worse.

The Administration, despite its election success, faces some extremely difficult problems in political management in dealing with the 81st Congress.

It is committed to repeal the Taft-Hartley law, to continuance of farm supports at 90 percent, to broadened social security, to civil rights, and to a host of other propositions too lengthy to be enacted in one session of Congress.

The chances seem to favor a large expansion of government intervention in home construction and home finance. The minimum wage might be boosted. The number of employed groups subject to social security probably may be increased greatly, and benefits boosted. Rent control will be "strengthened" and continued. There will be other propositions of this character.

While few if any observers pretend to know the new official attitude toward higher taxes, it is believed that the Administration will not face this prospect lightly. Furthermore, it will probably hesitate to involve the country in such increased spending as to require the rationing or allocation of materials and consumer goods.

Congress will have to be cautious about raising taxes and who gets soaked. The feeling in business circles is that anything like a heavy excess profits tax or even price control is risking too greatly the danger of a business set-back.

The prospect ahead is for a lively time, although it may not be altogether pleasant.

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